

## SHAREHOLDER INFORMATION

The Company's Securities are listed at the 3 Stock Exchanges in India

**The Stock Exchange, Mumbai**  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai - 400 001.

Report  Junction.com

**National Stock Exchange of India Limited**  
Exchange Plaza, 5th Floor,  
Plot No. C/1, G Block,  
Bandra-Kurla Complex,  
Bandra (East), Mumbai - 400 051.

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**The Stock Exchange, Ahmedabad,**  
Kamdhenu Complex,  
Opp. Sahajanand College,  
Panjarapole,  
Ahmedabad - 380 015.



## NOTICE

**NOTICE** is hereby given that the Twenty-Fourth **Annual General Meeting** of the Members of **ASHAPURA MINECHEM LIMITED** will be held on **Monday, 12<sup>th</sup> September, 2005** at 11.00 a.m. at the Walchand Hirachand Hall, 4<sup>th</sup> Floor, Indian Merchants' Chamber, IMC LNM Building, IMC Marg, Churchgate, Mumbai-400 020 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2005 and the Profit and Loss Account for the year ended on that date, and the Reports of the Directors' and the Auditors' thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Shri B. H. Antia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Ashok Kadakia, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri R. D. Doshi, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and the Branch Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remunerations.

### SPECIAL BUSINESS

#### 7. Re-appointment of the Executive Chairman

To consider and if thought fit, to pass with or without modifications the following resolution as a **Special Resolution** :

“RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the re-appointment of Shri Navnitlal R. Shah as the Executive Chairman of the Company for a period of **Three years** with effect from **1<sup>st</sup> October, 2005**, at a remuneration upto the extent of Rs.54,00,000/- [Rupees Fifty Four Lacs Only] per annum or Rs. 4,50,000/- (Rupees Four Lacs Fifty Thousand Only) per month and on the terms and conditions as set out in the draft Agreement to be executed by Shri Navnitlal R. Shah, submitted to this meeting and initialled by the Company Secretary for the purpose of identification with the liberty to the Board of Directors to alter, vary and modify the terms of the said re-appointment/remuneration including salary, time scale of salary, bonus, and perquisites in such

a manner as may be agreed to between the Board of Directors and Shri Navnitlal R. Shah within and in accordance with and subject to the provisions prescribed in Schedule XIII to the Companies Act, 1956, or any amendment or any statutory modifications thereto and conditions, if any, as may be stipulated by the Central Government and as may be agreed to accordingly between the Board of Directors and Shri Navnitlal R. Shah.”

“RESOLVED FURTHER THAT notwithstanding anything herein above stated where in any financial year of the Company closing on or after **31<sup>st</sup> March, 2006**, the Company incurs a loss or its profits are inadequate, the Company shall pay, as may be decided by the Board of Directors from time to time, to Shri Navnitlal R. Shah remuneration by way of salary, bonus and other allowances not exceeding a sum of Rs.36,00,000/- (Rupees Thirty Six Lacs Only) per annum or Rs.3,00,000/- (Rupees Three Lacs Only) per month and in addition thereto the perquisites not exceeding the limits specified under Para 2 of Section II, Part II of the Schedule XIII to the Companies Act, 1956, or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.”

#### 8. Re-appointment of the Managing Director

To consider and if thought fit, to pass with or without modifications the following resolution as a **Special Resolution** :

“RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the re-appointment of Shri Chetan N. Shah as the Managing Director of the Company for a period of **Three years** with effect from **1<sup>st</sup> October, 2005**, at a remuneration upto the extent of Rs.54,00,000/- [Rupees Fifty Four Lacs Only] per annum or Rs. 4,50,000/- (Rupees Four Lacs Fifty Thousand Only) per month on the terms and conditions as set out in the draft Agreement to be executed by Shri Chetan N. Shah, submitted to this meeting and initialled by the Company Secretary for the purpose of identification with the liberty to the Board of Directors to alter, vary and modify the terms of the said re-appointment/remuneration including salary, time scale of salary, bonus, and perquisites in such a manner as may be agreed to between the Board of Directors and Shri Chetan N. Shah within and in accordance with and subject to the provisions prescribed in Schedule XIII to the Companies Act, 1956, or any amendment or any statutory modifications thereto and conditions, if any, as may be stipulated by the Central Government and as may be agreed to accordingly between the Board of Directors and Shri Chetan N. Shah.”

“RESOLVED FURTHER THAT notwithstanding anything herein above stated where in any financial year of the company closing on or after **31<sup>st</sup> March, 2006**, the Company incurs a loss or its profits are inadequate, the Company shall pay, as may be decided by the Board of Directors from time to time, to Shri Chetan N. Shah remuneration by way of salary, bonus and other allowances not exceeding a sum of Rs. 36,00,000/- (Rupees Thirty Six Lacs Only) per annum or Rs. 3,00,000/- (Rupees Three Lacs Only) per month and in addition thereto the perquisites not exceeding the limits specified under Para 2 of Section II, Part II of the Schedule XIII to the Companies Act, 1956, or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.”

## 9. Re-appointment of the Executive Director

To consider and if thought fit, to pass with or without modifications the following resolution as a **Special Resolution** :

“RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the re-appointment of Shri Piyush A. Vora as the Executive Director of the Company for a period of **Three years** with effect from **1<sup>st</sup> October, 2005**, at a remuneration upto the extent of Rs.21,00,000/- [Rupees Twenty One Lacs Only] per annum or Rs. 1,75,000/- (Rupees One Lac Seventy Five Thousand Only) per month on the terms and conditions as set out in the draft agreement to be executed by Shri Piyush A. Vora, submitted to this meeting and initialled by the Company Secretary for the purpose of identification with the liberty to the Board of Directors to alter, vary and modify the terms of the said re-appointment/ remuneration including salary, time scale of salary, bonus, and perquisites in such a manner as may be agreed to between the Board of Directors and Shri Piyush A. Vora within and in accordance with and subject to the limits prescribed in Schedule XIII to the Companies Act, 1956, or any amendment or any statutory modifications thereto and conditions, if any, as may be stipulated by the Central Government and as may be agreed to accordingly between the Board of Directors and Shri Piyush A. Vora.”

“RESOLVED FURTHER THAT notwithstanding anything herein above stated where in any financial year of the Company closing on or after **31<sup>st</sup> March, 2006**, the Company incurs a loss or its profits are inadequate, the Company shall pay, as may be decided by the Board of Directors from time to time, to Shri Piyush A. Vora remuneration by way of salary, bonus and other allowances not exceeding a sum of Rs.15,00,000/- (Rupees Fifteen Lacs Only) per annum or Rs. 1,25,000/- (Rupees One Lac Twenty Five Thousand Only) per month and in

addition thereto the perquisites not exceeding the limits specified under Para 2 of Section II, Part II of the Schedule XIII to the Companies Act, 1956, or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.”

## 10. Borrowing Powers

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

“RESOLVED THAT pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, and in modification of the ordinary resolution passed by the members at the Annual General Meeting of the Company held on 15<sup>th</sup> September, 2004, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time any sum or sums of monies, as may be considered fit for the business of the Company on such terms and conditions as it may deem fit and expedient in the interest of the Company, notwithstanding that monies borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose) provided that the maximum amount of monies so borrowed by the Company shall (apart from temporary loans obtained or to be obtained from Company's bankers in the ordinary course of business) and outstanding at any given point of time, not at any time exceed the sum of Rs.400 Crores (Rupees Four Hundred Crores only).”

## 11. Creation of Charges

To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an **Ordinary Resolution** :

“RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the creations by the Board of Directors of the Company of such mortgages, charges and hypothecations and encumbrances in additions to the existing mortgages, charges and hypothecations and encumbrances already created by the Company, in such form and manner as the Board may direct on such of the assets of the Company wherever situate, both present and future, together with the power to take over the management of the Company in certain events, to or in favour of the Trustees, appointed or to be appointed by the Board for Secured Partly Convertible/Fully



Convertible/Non-Convertible Debentures, whether privately placed or otherwise, Lenders for loans raised or to be raised by the Company in accordance with the relevant statutory provisions and guidelines issued in that behalf, as the case may be, to secure rupee or foreign currency loans, bonds or other instruments (herein after referred to as “the borrowings”) together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other moneys payable by the Company in respect of the said borrowings including any increase as a result of devaluation/revaluation of the aforesaid Financial Assistance under the respective documents entered into/ to be entered into by the Company in respect of the said borrowings.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise the terms and conditions of the borrowings and the documents for creating the mortgages/charges/ hypothecations and accepting or making any alterations, changes, variations to or in the terms and conditions, to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary, for the purpose of giving effect to this resolution.”

## 12. Donation to Charitable Trust

To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution :

“RESOLVED THAT pursuant to the Provisions of Section 293(1)(c) and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors of the Company be and is hereby authorised to contribute to Charitable, Religious and other funds not directly relating to the business of the Company and/or welfare of its employees from time to time in any financial year upto the extent of Rs. 1,00,00,000/- (Rupees One Crore Only) or 5% of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the said Act during the three financial years immediately preceding, whichever is greater.”

“RESOLVED FURTHER THAT the above authority be and is hereby given to the Board of Directors irrespective of whether the Director(s) are or are not the trustees managing such charitable and other funds.”

By Order of the Board of Directors

Place : Mumbai  
Dated : 23<sup>rd</sup> June, 2005

**SACHIN POLKE**  
Company Secretary

## 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 AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The instrument appointing proxy in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. An Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business as set out in the Notice is annexed hereto.
4. Members/Proxies should bring duly filled in and signed Attendance Slips sent herewith for attending the meeting. The Members holding shares in dematerialised form are requested to bring their client ID and DP ID Numbers for easy identification of attendance at the meeting.
5. The Register of Directors' Shareholdings maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the members at the Annual General Meeting.
6. Dividend as recommended by the Board of Directors, if declared at the meeting, will be payable on or after 17<sup>th</sup> September, 2005 to those members whose names appear in the Register of Members as at the closure of business hours on 1<sup>st</sup> September, 2005.
7. The members holding shares in electronic mode are requested to direct change of address notifications and/or updating of their Bank Account details to their respective Depository Participants.
8. Members are requested to address all correspondences, including dividend mandates, to the Registrars and the Share Transfer Agents, M/s. Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078.
9. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Company Secretary at the Registered Office of the Company for further particulars. Members are requested to note that dividends not encashed or claimed within seven years from the date they become due for payment, will, as per Section 205C of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund. The un encashed / unclaimed Dividend for the year 1997-1998 should be encashed or claimed by 15th September, 2005, otherwise the same will be transferred to the said fund.
10. The members are requested to intimate, well in advance, to the Company and to the Depositories, as the case may be, of the changes in their addresses with the postal pin code numbers as also of the particulars of their Bank Account Number to minimise the chances of fraudulent encashment of the future dividend warrants/cheques/drafts, if any.
11. All the documents referred to in the Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company between 11.00 a.m. to 1 p.m. on all working days except Saturdays and holidays, up to the date of the Annual General Meeting.



# ASHAPURA MINECHEM LIMITED

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

As required under Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the business mentioned under Item Nos.7 to 12 of the accompanying Notice dated 23<sup>rd</sup> June, 2005.

### ITEM NO. 7

#### RE-APPOINTMENT OF SHRI NAVNITLAL R. SHAH AS THE EXECUTIVE CHAIRMAN

The members are aware that at the Annual General Meeting held on 27<sup>th</sup> September, 2002, Shri Navnitlal R. Shah was re-appointed as the Executive Chairman of the Company for a period of three years with effect from 1<sup>st</sup> October, 2002 at a remuneration and on such other terms and conditions as mentioned in the resolution passed at the said meeting and as set out in the Agreement. The said resolution, inter-alia, authorised the Board of Directors to amend the remuneration and other terms and conditions from time to time as the Board may think fit, subject to the provisions of Schedule XIII and other applicable provisions of Companies Act, 1956.

As per the above referred resolution and Agreement of 2002, Rs. 36,00,000/- (Rupees Thirty Six Lacs Only) per annum and in addition thereto the perquisites not exceeding the limits specified under Para 2 of Section II, Part II of the Schedule XIII to the Companies Act, 1956, is at present being paid as remuneration to the Executive Chairman.

Shri Navnitlal R. Shah, Executive Chairman is the founder of the Ashapura Group of Companies with over three decades of experience in the industry. He started with a partnership firm in 1967, which grew steadily into a Private Limited Company in 1982 and which is now a Public Limited Company with effect from 1992. He has been Chairman of Processed Mineral Panel of CAPEXIL, and Chairman of Export Promotion Committee of the Mineral Merchants and Manufacturers Association of India, Mumbai. He can be described as pioneer of Bentonite processing in India. He has been guiding in marketing, sales and financial aspects of the Company's business, apart from the technical side. Under his technical guidance Ashapura has become one of the largest producer of Bentonite in the world.

Under his able guidance your Company has bagged many Awards and Certificates Viz. Certificate of Merit for outstanding performance in Ores, Minerals and Ferro Alloys from the Government of India, Ministry of Commerce, Indian Merchant's Chamber, Mumbai Award for Outstanding Contribution towards promotion of savings, consumer protection and Export performance and special Award from CAPEXIL, Calcutta for outstanding Export Performance in respect of Processed Minerals.

Shri Navnitlal R. Shah is 78 years old, whose term as Executive Chairman expires on 30<sup>th</sup> September 2005. Therefore it is proposed that Shri Navnitlal R. Shah, be re-appointed as the Executive Chairman for a further period of three years

with effect from 1<sup>st</sup> October, 2005 on the terms and conditions set out in the draft agreement, so that your Company can continue to avail the benefits of his experience and leadership qualities, among many others. The Board of Directors at its meeting held on 23<sup>rd</sup> June, 2005 re-appointed Shri Navnitlal R. Shah as the Executive Chairman of the Company with effect from 1<sup>st</sup> October, 2005, subject to approval of the members at the Annual General Meeting. The remuneration Committee constituted by the Board of Director has approved the proposed remunerations payable to the Executive Chairman. As per Schedule XIII of the Companies Act, 1956, the proposed minimum remuneration will be, within overall limit of 5% of the net profits of the Company, of amount(s) up to Rs. 4,50,000/- (Rupees Four Lacs Fifty Thousand Only) per month by way of salary plus the perquisites.

The Perquisites and Allowances include furnished accommodation up to 60% of the Salary, Gas, Water, Electricity and Furnishing / Refurbishments / Repairs and Renovation, Medical Reimbursement, Leave Travel Concession, Club Fees, Personal Accident Insurance, Leave Encashment etc. as per the Company rules in this regard and /or rules framed by the Government.

Shri Navnitlal Shah will also be eligible for Contribution to Provident Fund, Super Annuation Fund or Annuity fund to the extent these either singly or put together are not taxable under Income Tax Act, 1961 and Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, which shall not be included in the computation of remuneration mentioned above.

Remuneration by way of commission, in addition to the salary and perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company at the end of each financial year, subject to the overall ceiling stipulated in Sections 198 and 309 of the Companies Act, 1956.

Where in any financial year of the Company closing on or after 31<sup>st</sup> March, 2006, the Company incurs a loss or its profits are inadequate, the Company shall pay, as may be decided by the Board of Directors from time to time, to Shri Navnitlal R. Shah remuneration by way of salary, bonus and other allowances not exceeding a sum of Rs.36,00,000/- (Rupees Thirty Six Lacs Only) per annum or Rs.3,00,000/- (Rupees Three Lacs Only) per month and in addition thereto the perquisites not exceeding the limits specified under Para 2 of Section II, Part II of the Schedule XIII to the Companies Act, 1956, or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.

The proposed resolution is required to be passed as a Special Resolution as he has crossed 70 years of age and also required under the amended Schedule XIII to the Companies Act, 1956 and as such, the Directors commend your approval.

Shri Navnitlal R. Shah, the Executive Chairman of the Company



is concerned or interested in the proposed resolution. Shri Chetan Shah, the Managing Director and Smt. Dina Chetan Shah, the Director of the Company, being relatives of Shri Navnitlal R. Shah, are also concerned or interested in the resolution. None of the other Directors of the Company are concerned or interested in the said resolution.

Shri Navnitlal R. Shah also holds the position of Director in following Companies:

Ashapura International Ltd.  
Ashapura Volclay Ltd.  
Hemprabha Trading Co. Pvt. Ltd.  
Ashapura Shipping Ltd.  
Ashapura Consultancy Service Pvt. Ltd.  
Legendary Trading Pvt. Ltd.  
Ashapura Claytech Ltd.  
Gem Ashapura Granite (Gujarat) Pvt. Ltd.  
Ashapura Mine Explore Pvt. Ltd.  
Peninsula Property Developers Pvt. Ltd.  
Ashapura Exports Pvt. Ltd.  
Ashapura Infin Pvt. Ltd.  
Puratech Softwear (India) Pvt. Ltd.  
Pura Exim (India) Pvt. Ltd.

The above information may also be treated as an abstract under Section 302 of the Companies Act, 1956.

## ITEM NO. 8

### RE-APPOINTMENT OF SHRI CHETAN SHAH AS THE MANAGING DIRECTOR OF THE COMPANY

The members are aware that at the Annual General Meeting held on 27<sup>th</sup> September, 2002, Shri Chetan Shah was re-appointed as the Managing Director of the Company for a period of three years with effect from 1<sup>st</sup> October, 2002 at a remuneration and on such other terms and conditions as mentioned in the resolution passed at the said meeting and as set out in the Agreement. The said resolution, inter-alia, authorised the Board of Directors to amend the remuneration and other terms and conditions from time to time as the Board may think fit, subject to the provisions of Schedule XIII and other applicable provisions of Companies Act, 1956.

As per the above referred resolution and Agreement of 2002, Rs. 36,00,000/- (Rupees Thirty Six Lacs Only) per annum and in addition thereto the perquisites not exceeding the limits specified under Para 2 of Section II, Part II of the Schedule XIII to the Companies Act, 1956, is paid as a remuneration.

Shri Chetan Shah, the Managing Director has more than 25 years of experience in the Bentonite industry and overall Management. He has travelled worldwide and is the moving spirit behind Ashapura's Export thrust. His skill as a marketing man are well established and because of his vision your

Company has achieved excellence in Exports of Bauxite and other value added products.

Under his leadership your Company has planned a Rs.1250 Crore investment in Kutch, a new 5 Lakh tonne Alumina refinery project with Chinese Company Sichuan Aostar Aluminium Ltd.

Shri Chetan Shah's term as Managing Director is expiring on 30<sup>th</sup> September, 2005. Therefore it is proposed that Shri Chetan Shah be re-appointed as the Managing Director for the further period of three years with effect from 1<sup>st</sup> October, 2005 on the terms and conditions set out in the respective draft agreements, so that your Company can continue to avail of the benefits of their experience and leadership qualities, among many others. The Board of Directors at its meeting held on 23<sup>rd</sup> June, 2005 re-appointed Shri Chetan Shah as the Managing Director of the Company with effect from 1<sup>st</sup> October, 2005, subject to approval of the members at the Annual General Meeting. The remuneration Committee of Board of Directors has approved the proposed remuneration payable to the Managing Director. As per Schedule XIII of the Companies Act, 1956, the proposed minimum remuneration will be, within overall limit of 5% of the net profits of the amount(s) upto Rs. 4,50,000/- (Rupees Four Lacs Fifty Thousand Only) per month by way of salary plus the perquisites.

The Perquisites and Allowances include Furnished accommodation up to 60% of the Salary, Gas, Water, Electricity and Furnishing / Refurbishments / Repairs and Renovation, Expenses of Domestic Servants, Medical Reimbursement, Leave Travel Concession, Club sees, Personal accident insurance, Leave encashment etc. as per the Company rules in this regard and /or rules framed by the Government.

Shri Chetan Shah will also be eligible for Contribution to Provident Fund, Super Annuation Fund or Annuity fund to the extent these either singly or put together are not taxable under Income Tax Act, 1961 and Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, which shall not be included in the computation of remuneration mentioned above.

Remuneration by way of commission, in addition to the salary and perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company at the end of each financial year, subject to the overall ceiling stipulated in Sections 198 and 309 of the Companies Act, 1956.

Where in any financial year of the Company closing on and after 31<sup>st</sup> March, 2005 the Company incurs a loss or its profits are inadequate, the Company shall pay, as may be decided by the Board of Directors from time to time, to Shri Chetan Shah remuneration by way of salary, bonus and other allowances not exceeding a sum of Rs.36,00,000/- (Rupees Thirty Six Lacs Only) per annum or Rs.3,00,000/- (Rupees Three Lacs Only) per month and in addition thereto the perquisites not exceeding

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the limits specified under Para 2 of Section II, Part II of the Schedule XIII to the Companies Act, 1956 or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.

The proposed resolution is required to be passed as a Special Resolution as per the amendment (s) to the Schedule XIII to the Companies Act, 1956.

It is in the interest of the Company to pass the Special Resolution and as such the Directors commend your approval.

Shri Chetan Shah, the Managing Director of the Company is concerned or interested in the proposed resolution. Shri Navnitlal R. Shah, the Executive Chairman and Smt. Dina Chetan Shah, the Director of the Company, being relatives of Shri Chetan N. Shah, are also concerned or interested in the resolution. None of the other Directors of the Company are concerned or interested in the said resolution.

Shri Chetan Shah also holds the position of Director in following Companies :

Ashapura Volclay Ltd.

Ashapura International Ltd.

Ashapura Shipping Ltd.

Gurbarga Trading Co. Pvt. Ltd.

Sharda Consultancy Pvt. Ltd.

Ashapura Claytech Ltd.

Gem Ashapura Granite (Gujarat) Pvt. Ltd.

Ashapura Infin Pvt. Ltd.

Peninsula Property Developers Pvt. Ltd.

Ashapura Exports Pvt. Ltd.

Ashapura Mine Explore Pvt. Ltd.\*

\*Resigned as on 27/04/05

The above information may also be treated as an abstract under Section 302 of the Companies Act, 1956.

## ITEM NO. 9

The members are aware that at the Annual General Meeting held on 27th September, 2002, Shri Piyush Vora was appointed as the Executive Director of the Company for a period of three years with effect from 1st October, 2002 at a remuneration and on such other terms and conditions as mentioned in the resolution passed at the said meeting and as set out in the Agreement. The said resolution, inter-alia, authorised the Board of Directors to amend the remuneration and other terms and conditions from time to time as the Board may think fit, subject to the provisions of Schedule XIII and other applicable provisions of Companies Act, 1956.

Shri Piyush Vora is a qualified Chartered Accountant. He has experience of more than 10 years in the professional practice and in Investment & Portfolio Management, Accounts, Law and Finance. He joined the Company as Director in 1992. To take the advantage of his expertise in various fields especially in Corporate Affairs, Operations, Accounts and Finance it is proposed to re-appoint him as Executive

Director of the Company to look after these functions of management subject to superintendence of and control of the Executive Chairman and Managing Director and the Board of Directors of the Company. As per the Schedule XIII of the Companies Act, 1956, the proposed remuneration will be up to Rs. 1,75,000/- (One Lac Seventy Five Thousand Only) per month by way of salary plus the perquisites.

Where in any financial year of the Company closing on and after 31<sup>st</sup> March, 2006, the Company incurs a loss or its profits are inadequate, the Company shall pay, as may be decided by the Board of Directors from time to time, to Shri Piyush Vora remuneration by way of salary, bonus and other allowances not exceeding a sum of Rs. 15,00,000/- (Rupees Fifteen Lacs Only) per annum or Rs. 1,25,000/- (Rupees One Lac Twenty Five Only) per month and in addition thereto the perquisites not exceeding the limits specified under Para 2 of Section II, Part II of the Schedule XIII to the Companies Act, 1956, or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.

Shri Piyush Vora also holds the position of Director in following Companies :

Ashapura Minechem Ltd.

Ashapura Volclay Ltd.

Ashapura International Ltd.

Satco Finance Pvt. Ltd.

Ashapura Claytech Ltd.

Bombay Minerals Ltd.

Mansik Traders Pvt. Ltd.

Prashansha Ceramics Ltd.

Shri Piyush Vora is interested in the resolution set out in Item No. 9 of the Notice. None of the other directors are interested in this resolution.

It is in the interest of the Company to pass the Special Resolution and as such, the Directors commend your approval. The above information may also be treated as an abstract under Section 302 of the Companies Act, 1956.

## ITEM NO. 10

### Borrowing Powers

Under Section 293(1)(d) of the Companies Act, 1956, the Board of Directors shall not, except with the consent of the Company in General Meeting, borrow monies (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) in excess of the aggregate paid-up capital and free reserves of the Company.

According to explanation (I) of the said Section every resolution passed in the General Meeting of the Company in relation to the exercise of the above power shall specify the total amount up to which the Board of Directors over and above the paid-up capital and free reserves may borrow monies.

At the Annual General Meeting of the Company held on 15<sup>th</sup> September, 2004, the members have authorised the



Board of Directors to borrow monies not exceeding Rs. 300 Crores. Taking into account the requirements for additional finance for working capital, expansion, diversification modernisation programmes, Bauxite Project, Bleaching clay project and Research and development programmes undertaken by the Company on an on-going basis, especially in the fields of other minerals in addition to the existing mineral products and their exports, it is proposed to obtain the consent of the members to increase the limit to Rs.400 Crores over and above the paid up capital and free reserves. This will also enable smooth conduct of the day-to-day business of the Company. Hence the resolution as set out is proposed.

The Board commends this resolution for your approval.

None of the Directors of the Company is concerned or interested in the resolution.

#### ITEM NO. 11

In the normal course of its business, the Company from time to time is required to avail of short term and long-term loans and advances and various types of credit facilities and/or issue debentures and bonds, from the Banks and/or Financial Institutions (herein after referred as “the borrowings”). This resolution under item No.13 is proposed to cover and match the proposed borrowing limits of Rs.400 Cores referred to in the resolution No.12 of the Notice, for which the Company may be required, from time to time, to mortgage or create charges or hypothecate the Company's assets.

Your Directors commend the resolution for your approval.

None of the Directors of the Company is concerned or interested in the proposed resolution.

#### ITEM NO. 12

The proposed resolution set out under Item No. 12 in the Notice convening the Meeting is intended to obtain necessary authority for the Board of Directors from the Members under Section 293(1)(e) of the Companies Act, 1956 to contribute to various Charitable Trust (s), Ashapura Foundation and/or to such charitable and other funds.

None of the Directors is interested or concerned in the proposed resolution except Shri N. R. Shah and Shri Chetan Shah, the Directors of the Company, who are the Promoters and Trustees of “Ashapura Foundation” Trust, for which donation may be given.

As required by Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating the business mentioned in the accompanying Notice dated 23<sup>rd</sup> June, 2005.

In terms of Clause No. 160(e) of the Memorandum of Association, the Company would like to sponsor, undertake and / or to execute Public Charitable and/or welfare projects, which contribute to the promotion and overall growth of the national economy and to discharge the social and moral

responsibility of the Company towards the general public and/or for the development of the Kutch region in particular and / or any other region(s) / area(s) within Country in general.

The proposed resolution is intended to obtain necessary authority for the Board of Directors from the Members U/s. 293(1)(e) of the Companies Act, 1956 to contribute to such projects and/or to such charitable and other Foundations undertaking such projects.

None of the Directors of the Company is concerned or interested in the proposed resolution.

By Order of the Board of Directors

Place : Mumbai

Dated : 23<sup>rd</sup> June, 2005

**SACHIN POLKE**

Company Secretary



# ASHAPURA MINECHEM LIMITED

## DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

To,  
The Members,

Your Directors have a pleasure in presenting the Twenty Fourth Annual Report on the business and operations of the Company including Management Discussion and Analysis together with Statements of Audited Accounts for the Company and consolidated Audited Accounts for the group for the year ended 31<sup>st</sup> March, 2005.

### FINANCIAL RESULTS AND PERFORMANCE

	Ashapura Minechem Ltd. Rs. in Crores		Consolidated Rs. in Crores	
	2004-05	2003-04	2004-05	2003-04
Profit before depreciation and Taxation	21.87	13.27	38.50	16.35
Less : Depreciation	1.92	1.79	4.14	3.51
Profit before Tax	19.95	11.48	34.36	12.84
Less : Provision for taxation				
Current	6.00	2.55	6.50	2.59
Deferred	0.11	0.69	0.02	0.66
Profit after Tax	13.84	8.24	27.85	9.58
Less : Prior period Adjustments	0.12	0.11	0.70	0.13
	13.72	8.13	27.15	9.45
Less : Minority interest	—	—	0.02	(0.01)
	13.72	8.13	27.13	9.46
Add: Balance brought forward from the previous year	15.33	12.36	(6.79)	(11.09)
Amount available for Appropriation	29.05	20.49	20.34	(1.63)
<b>Appropriations</b>				
1) Proposed dividend	2.55	1.91	2.55	1.91
2) Corporate Dividend Tax	0.36	0.25	0.36	0.25
3) General Reserve	3.00	3.00	3.00	3.00
4) Balance carried to Balance sheet	23.14	15.33	14.43	(6.79)

You will note from above that your Company's performance has turned a new leaf with net profit improving by approx. 68% over previous year and consolidated profits improving by approx. 190%. This improvement is reflected in the improved shareholders value and market capitalization. Your Company's financial showed a decrease in its long-term debts during the year. The interest costs have moved up on account of higher working capital loans coupled with slightly higher interest rates. However, interest as a percentage of sales went down from 2.18% to 1.76% approx.

Liquidity position remained comfortable throughout the year. Improved cash flows supported by shortened working capital cycles were major contributories.

The improved performance of subsidiaries led to reduction in advances and loans given to them contributing to improved financial and liquidity position. Judicious and conservative forex treasury management neutralized the impact of relatively strong rupee and also resulted in forex gains to augment profits.

### DIVIDEND

In view of the excellent performance of the Company your directors are pleased to recommend a dividend of 40% (Previous year 30%) viz. Rs.4/- per Equity Share on fully paid-up Equity Shares. If approved by the members at the



forthcoming Annual General Meeting, the total dividend will absorb Rs. 2,55,30,800/- plus tax Rs. 35,80,695/- thereon.

## REVIEW OF OPERATIONS

Your Company's sales almost doubled this year. Core portfolio of mined and processed industrial minerals viz. Bentonite and Bauxite showed an improvement in efficiency and margins in spite of the strong freight markets and steady rupee. This was achieved through a combination of improved pricing, judicious freight contracts including contracts of affreightment and cost rationalization.

A number of opportunities in other products emerged on the way due to common clients, suppliers or partners of existing business. Your Company is already geared to seize these opportunities due to competencies and infrastructure developed in the core business. A number of products like Alumina, Cement, Clinker, Anthracite, Attapulgit and Barytes also added to the sales and operating profits. Overall operating margins were however impacted due to lower margins in these outsourced products.

## SUBSIDIARIES

### a) Calcined Bauxite – Bombay Minerals Ltd.

The Calcined Bauxite sales showed a jump of 280% over the previous year. Improved volumes and a boom in end user market have resulted in this Company reporting a net profit of Rs. 4.14 Crores as compared to Rs. 1.36 Crores in the previous year.

Bombay Minerals Ltd. is a 100% subsidiary of your Company.

### b) Domestic Bentonite Sales – Ashapura International Ltd.

Domestic Bentonite Sales also showed a 44% jump in sales. Higher sales were on account of booming steel and foundry industries. The profits of this Company have improved inspite of competitive domestic environment and cost inflations. This Company reported a net profit before tax of Rs. 0.78 Crores as compared to Rs. 0.36 Crores loss in the previous year.

Ashapura International Ltd is a 100% subsidiary of your Company.

### c) Pesticides & Soil nutrient products – Ashapura Claytech Ltd.

The sales of this Company showed a 83.7% improvement over previous year. The Company managed to overcome a long history of losses and turned around with profits of Rs. 0.41 Crores in current year compared to a loss of Rs. 0.18 Crores in the previous year. Your Company alongwith wholly owned subsidiaries owns 95.25% of Ashapura Claytech Ltd.

### d) International Trading – Ashapura Minechem (UAE) FZE

In its maiden year of operations, this Company reported sales of Rs. 58.34 Crores and net profit of Rs. 7.07 Crores. Ashapura Minechem (UAE) FZE is a 100% subsidiary of your Company.

## ASSOCIATES

### Bleaching Clay Business - Ashapura Volclay Ltd.

This Company during the year established itself as a market leader in Bleaching Clay business. The sales for the current financial year showed a 38.4% jump over the previous year. The net profit for the current year was Rs. 3.89 Crores as compared to Rs.2.16 Crores for the previous year.

Your Company owns 50% equity of Ashapura Volclay Ltd.

## Subsidiary Companies

Pursuant to Section 212 of the Companies Act, 1956 the Balance Sheet, Profit & Loss Account, Directors' Report and Auditors' Report on the accounts of the subsidiaries are annexed together with the statement of Subsidiary Companies to this Report.

## Corporate governance

Company continues to comply with the requirements of the Listing Agreement with the Stock Exchanges where the Company's shares are listed. In addition to the basic governance principles, the Management lays strong emphasis on transparency, accountability and integrity.

In terms of the provisions under Clause 49 of the Listing Agreement, your Company has complied with the requirements