



## NOTICE

**NOTICE** is hereby given that the Twenty-Fifth **Annual General Meeting** of the Members of **ASHAPURA MINECHEM LIMITED** will be held on Thursday, 10<sup>th</sup> August, 2006, at 11.00 a.m. at the Walchand Hirachand Hall, 4<sup>th</sup> Floor, Indian Merchants' Chamber, IMC LNM Building, IMC Marg, 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, 2006 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 Shailesh H. Bathiya, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Smt. Dina C. Shah, who retires by rotation and being eligible, offers herself for re-appointment.
5. To appoint the 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 remuneration.

### SPECIAL BUSINESS :

#### 6. Investment in Body(ies) Corporate :

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

“RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to the prior approval of Financial Institutions, Reserve Bank of India and any other relevant authority(ies), wherever required, consent of the Members of the Company be and is hereby accorded to the Board of Directors to directly and/or indirectly make an investment by way of subscription, purchase or otherwise in Equity Shares, Preference Shares, other Securities and / or Instruments, in cash or otherwise, out of internal accruals and/or further issue of capital and/or borrowings at par or at premium or otherwise, in the following body(ies) corporate and/or project(s) up to the extent and in the manner stated below :

- (i) To tie up with a leading oil supply Company in Nigeria viz. EMO Energy and Mining Company Limited, for mining and processing of Barites by investing an amount upto USD 2 Million or equivalent amount in Rupees thereof.
- (ii) To setup bulk importing, grinding and packaging facility(ies) in Antwerp, Belgium, for Industrial Minerals like Bentonite, Kaolin Lumps, Bleaching Clay etc. by making an investment upto USD 3 Million or equivalent amount in Rupees thereof.
- (iii) To undertake port development and/or jetty, infrastructure development and activities related thereto, together with Shantilal Multiport Infrastructure Pvt. Ltd., at Jamnagar, Gujarat and investing therein a sum upto Rs. 100 Million.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to decide all or any other matters arising out of or incidental to the proposed investment(s) and/or to do and cause to be done all such acts, deeds, matters and things as may be necessary in this regard.”

#### 7. Further issue of Share Capital by way of Qualified Institutional(s) Placement :

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

“RESOLVED THAT in accordance with the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force and as may be enacted from time to time) and in accordance with the provisions of Chapter XIII-A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and Foreign Exchange Management Act, 1999, as amended up-to-date and in accordance with the provisions of the Articles of Association of the Company and the provisions of the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and rules, guidelines and regulations, if any, as may be prescribed by the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and subject to such approvals, consents, permissions and sanctions as may be necessary from the Government of India, Reserve Bank of India and / or other authorities or institutions as may be relevant (hereinafter singly or collectively referred to as “Appropriate Authorities”) and subject to such terms

and conditions or such modifications thereto as may be prescribed by them in granting such approvals, consents, permissions, sanctions and which may be accepted by the Board of Directors of the Company (hereafter referred to as "The Board" which term shall be deemed to include any Committee of the Board, for the time being, duly authorized by the Board and exercising the powers conferred on the Board by this Resolution) as it thinks fit in the interest of the Company, the consent of the Company be and is hereby accorded to offer, issue and allot to the Qualified Institutional Buyers as defined under Clause 2.2.2B(v) of SEBI (Disclosure and Investor Protection) Guidelines, 2000, Equity shares / Fully Convertible Debentures (FCDs) / Partly Convertible Debentures (PCDs) and / or any such instrument(s) or security(ies) (other than warrants) convertible into equity shares (at a later date as may be determined by the Board but not later than 60 months from the date of allotment) to be subscribed on the basis of Placement Documents for an aggregate amount not exceeding Rs. 250 Crores (Rupees Two Hundred and Fifty Crores only) (inclusive of such premium as may be determined by the Board), such issue and allotment to be made on such occasion or occasions, at a discount or at a premium or otherwise wherein the price is calculated in accordance with the provisions of Clause 13A.3 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000, the relevant date for the purpose of which will be 11<sup>th</sup> July, 2006.

RESOLVED FURTHER THAT the Board be and is hereby authorized, to issue and allot pursuant to the provisions of Chapter XIII-A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000, such number of Equity Shares as may be required to be issued and allotted upon conversion of any aforesaid convertible securities or as may be necessary in accordance with the terms of the offering, all such Equity Shares to rank *pari passu* with the then existing Equity Shares of the Company in all respects, excepting such right as to dividend as may be provided under the terms of the convertible securities and in the Placement Document.

RESOLVED FURTHER THAT the preliminary as well as the final Placement Document for the aforesaid issue/ offer be finalized, approved and signed by the Directors on the Board for and on behalf of the Company with authority to amend, vary, modify the same as may be considered desirable or expedient and for the purpose aforesaid to give such declarations, affidavits, undertakings, certificates, consents, authorities as may be necessary and required from time to time.

RESOLVED FURTHER THAT for the purpose of giving effect to any issue, offer or allotment of equity shares

or securities or instruments representing the same, as described above, the Board be and is hereby authorized, on behalf of the Company, to appoint (or modify the terms of appointment or terminate the appointment of) or to enter into and execute all such arrangements/ agreements with any lead Manager(s), Underwriter(s), Merchant Bankers, Stabilising Agents, Guarantor(s), Depository, Listing Agents, Trustees, Legal Counsel(s), Custodians, Process Agents, Registrar(s), Advisors and all such agencies or entities inside or outside India, as may be necessary and to remunerate all such agencies and entities and further to sign, execute and deliver the securities, listing application, paying applications, various agreements (including but not limited to Subscription Agreement, Trustee Agreement), undertakings, deeds, declarations, any application to Government of India (Ministry of Finance) and / or Reserve Bank of India and / or such other regulatory authorities and all other documents and to do all such acts, deeds, matters and things as the Board may in its absolute discretion, deem necessary or desirable and to settle any questions, difficulties or doubts that may arise in regard to the offering, issue/ or offer, allotment and utilization of the issue/ offer proceeds, including for the purpose of complying with all the formalities as may be required in connection with and incidental to the aforesaid offering of securities, including for the post issue/ offer formalities.

RESOLVED FURTHER THAT one or more bank accounts in the name of the Company be opened with such bank or banks in India and / or such Foreign countries as may be required in connection with the aforesaid issue/offer, subject to requisite approvals from Reserve Bank of India and any other regulatory authorities, if any.

RESOLVED FURTHER THAT the Board, be and is hereby authorized, to delegate all or any of the powers herein conferred to any Committee or any one or more Whole-Time Directors of the Company."

## 8. Donation to Charitable Trust(s)

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)(e) 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. 2,00,00,000/- (Rupees Two Crores 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 Directors are or are not the Trustees managing such charitable and other funds.”

**By Order of the Board of Directors**

**SACHIN POLKE**  
Company Secretary

Place : Mumbai

Dated : 3rd July, 2006

## NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY(IES) 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. 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.
7. The Equity Shares of the face value of Rs. 10/- each are sub-divided into five Equity Shares of face value of Rs. 2/- each, with effect from 1<sup>st</sup> April, 2006. The new connectivity code number allotted to the Company after sub-division, both by NSDL and CDSL is ISIN : INE348A01023.
8. Members wishing to claim Dividends, which remain unclaimed, are requested to correspond with the Company Secretary at the Registered Office of the Company. 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 unencashed / unclaimed Dividend for the year 1998-1999 should be encashed or claimed by 11<sup>th</sup> September, 2006, as otherwise the same will be transferred to the said Fund.
9. 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.
10. 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 a.m. to 1 p.m. on all working days except Saturdays and holidays, up to the date of the Annual General Meeting.
11. The Company's Transfer Books will remain closed from 3<sup>rd</sup> August, 2006 to 10<sup>th</sup> August, 2006 (both days inclusive). The Dividend as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting, will be paid to those shareholders whose names appear on the Register of Members as on 3<sup>rd</sup> August, 2006 or on the Register of Beneficial Owners maintained by the Depositories as on the close of the business hours on 2<sup>nd</sup> August, 2006.

## 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. 6 to 8 of the accompanying Notice dated 3<sup>rd</sup> July, 2006.

### ITEM NO. 6

Your Company is one of the largest producers of Bentonite in the world and has also diversified into Mining of Bauxite since last few years. Your Company is also engaged in production, distribution and export of other Minerals, Clays like Kaolin, Bleaching Clay, Attapulgitic Clay, Barites etc. and its value-added products.

Your Company has access to vast reserves of minerals and is also in process of acquiring new reserves. In order to exploit these reserves favourably and to meet its growth plans, your Company is now contemplating strategic investment in various Projects enabling a forward integration.

#### (i) Barites Mining & Processing in Nigeria :

Nigeria contains several Barite Mines and has a booming oil industry. Barites find applications in drilling muds, which can complement Ashapura's existing Bentonite offerings. Nigeria is open to setting up operations by foreign mining companies to develop their mineral industry. The Management of the Company has therefore decided to undertake project in Nigeria for mining and processing of Barites with EMO Energy and Mining Company Limited - a prominent Oil Supply Company situated in Nigeria, by investing an amount up to USD 2 Million or an equivalent amount in Rupees thereof.

#### (ii) Mineral Processing Complex in Antwerp :

Europe is one of the major consuming markets for Industrial Minerals and there is a good opportunity for Indian Companies to service these markets. To overcome the disadvantage of long distance and high cost of freight, the Management has decided to set up a bulk importing, grinding and packaging facility in Antwerp for processing Bentonite, Kaolin lumps, Bleaching Clay and shipping them to various European destinations. Therefore your Company is considering making an investment up to USD 3 Million or an equivalent amount in Rupees thereof.

#### (iii) Port Development Project :

To facilitate its trade, the Company is considering

to undertake port development project and activities related thereto, at Jamnagar, Gujarat. Your Company intends to take a 50% stake in an existing Company having rights to operate a part of Bedi Port, which handles a majority of our Bauxite shipments. We intend to invest a sum up to Rs.100 million in this business.

Pursuant to the provisions of Section 372A of the Companies Act, 1956, if the aggregate of the loans and investments made in and the amounts for which guarantees are given or securities are provided in connection with loans to all other bodies corporate, along with investments proposed to be made by the Board of Directors, exceed the limit of 60% of the Company's Paid-up Share Capital and Free Reserves or 100% of its Free Reserves, whichever is more, a prior approval of Members of the Company by way of a Special Resolution passed in a General Meeting is required.

It will be in the interest of the Company to make investment in proposed new projects. The Directors recommend this Special Resolution for approval by the Members.

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

### ITEM NO. 7

Your Company aims to expand its business activities both in India and abroad. It proposes to grow through acquisitions, mergers, joint ventures and strategic alliance, apart from expanding and upgrading its existing development facilities as well as creating new facilities and expanding its geographical reach by setting up subsidiaries / branches / marketing offices across the world.

The Board is of the view that to meet the capital expenditure, working capital requirements, repayment of debts and any other requirements / purpose including acquisitions, it would be advisable / essential to mobilize funds by way of offer, issue and allotment to the Qualified Institutional Buyers, of the equity shares / fully convertible debentures (FCDs) / partly convertible debentures (PCDs) and / or any such instrument or security (other than warrants) convertible into equity shares (at a later date as may be determined by the Board but not later than 60 months from the date of allotment) to be subscribed by 'Qualified Institutional Buyers' as defined under clause 2.2.2B(v) of SEBI (Disclosure and Investor Protection) Guidelines, 2000, on the basis of Qualified Institutions Placement Documents for an aggregate value not exceeding Rs. 250 Crores (Rupees Two Hundred and Fifty Crores only) (inclusive of premium on Equity Shares).

The detailed terms and conditions of the Offer will be





determined in consultation with the Advisers, Lead Managers and Underwriters and such other authority or authorities as may be required to be consulted by the Company considering the prevailing market conditions and other relevant factors.

The pricing of the Qualified Institutional Placement will be calculated in accordance with the provisions of Clause 13A.3 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000, the relevant date for the purpose of which will be 11<sup>th</sup> July, 2006.

The Special Resolution seeks to give the Board powers to issue securities to 'Qualified Institutional Buyers' as permitted under Chapter XIII-A of SEBI (Disclosure and Investor Protection) Guidelines, 2000.

The consent of the Shareholders is being sought pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreement executed by the Company with the Stock Exchanges in India where the Equity Shares of the Company are listed.

Section 81 of the Companies Act, 1956, provides, inter-alia, that when it is proposed to increase the issued capital of the Company by allotment of further shares, such further Shares shall be offered to the existing Shareholders of the Company in the manner laid down in Section 81 unless the Shareholders in a General Meeting decide otherwise.

The Listing Agreement referred to above provides, inter-alia, that the Company in the first instance, should offer all Shares and Debentures to be issued by the Company for subscription pro-rata to the Equity Shareholders unless the Shareholders in General meeting decide otherwise.

The said Special Resolution, if passed, shall have the effect of allowing the Board on behalf of the Company to issue and allot the Securities otherwise than on pro-rata basis to the existing shareholders.

The Board recommends the resolution for your approval.

None of the Directors are interested or concerned in the resolution.

#### **ITEM No. 8**

The proposed resolution set out under Item No. 8 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 and Hiralaxmi Memorial Foundation.

In terms of Clause No. 160 (e) of its 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 funds/ Trusts.

None of your Directors are concerned or interested in this resolution.

**By Order of the Board of Directors**

**SACHIN POLKE**  
Company Secretary

Place : Mumbai  
Dated : 3<sup>rd</sup> July, 2006

## DIRECTORS' REPORT

To,  
The Members,

Your Directors have a great pleasure in presenting the Twenty Fifth Annual Report on the business and operations of the Company together with the Statements of Audited Accounts for the Company and consolidated Audited Accounts for the Group for the year ended 31<sup>st</sup> March, 2006.

## FINANCIAL RESULTS AND PERFORMANCE

	Ashapura Minechem Ltd. Rs. in Millions		Consolidated Rs. in Millions	
	2005-06	2004-05	2005-06	2004-05
Profit before Depreciation and Taxation	867.05	218.64	1146.81	385.08
Less : Depreciation	24.14	19.16	54.20	41.43
Profit before Tax	842.91	199.48	1092.61	343.65
Less : Provision for taxation				
Current	273.10	60.00	282.33	64.98
Fringe benefit Tax	4.93	—	5.95	—
Deferred	12.90	1.08	13.38	0.16
Profit after Tax	551.98	138.40	790.95	278.51
Less : Prior period Adjustments				
Income Tax	5.27	—	7.08	—
Others	1.42	1.23	0.13	6.98
Net Profit	545.29	137.17	783.74	271.53
Less : Minority interest	—	—	0.19	0.16
	545.29	137.17	783.55	271.37
Add : Balance brought forward from the previous year	231.36	153.30	144.36	(67.90)
Amount available for Appropriation	776.65	290.47	927.91	203.47
<b>Appropriations</b>				
1) Proposed dividend	48.38	25.53	48.38	25.53
2) Corporate Dividend Tax	6.78	3.58	6.79	3.58
3) General Reserve	400.00	30.00	400.00	30.00
Balance carried to Balance sheet	321.49	231.36	472.74	14.43

You will note from the above financials that your Company has achieved phenomenal growth with net profit improving by 297.45% over previous year and consolidated profits improving by 188.66% over previous year. This improvement is reflected in the improved shareholders value and market capitalization.

The Company during the year, with its exceptional performance was successful in repaying its unsecured loans and part of its secured loans, which considerably improved its debt equity ratio from 2.95 in last year to 0.88 in the current year.



The increase in expenditure during the year under review is fully justified by the substantial increase in the revenues. Further, the Company's Subsidiaries and Associates have commenced manufacturing value added products thereby contributing significantly to the Group's profits.

### SUB-DIVISION OF SHARES

The Company's Equity Shares have been sub-divided from Rs.10/- face value per share to Rs.2/- face value per share i.e. in the ratio of (1:5) w.e.f. 1<sup>st</sup> April, 2006.

### DIVIDEND

In view of the excellent performance of the Company, your Directors are pleased to recommend a dividend @ 75% per share, of the face value of Rs. 2/- each (Previous year 40% on a face value of Rs. 10/- each) viz. Rs. 1.50/- per Equity Share. If approved by the members at the forth coming Annual General Meeting, the total dividend will absorb Rs. 48,381,000/- plus tax of Rs. 6,785,435/- thereon.

### REVIEW OF OPERATIONS

Your Company's sales improved by 34.49% as compared to the previous year, mainly due to sharp jump in Bauxite exports. The sales turnover of the entire Ashapura Group increased to Rs.8404.81 millions from Rs.6201.42 millions. Your Company has also availed benefit by setting up establishments at Hamriya Free Trade Zone and at Baraya 100% EOU for Bentonite.

Your Company is one of the most integrated players in the Industrial Mineral business in India. We are the leaders in our principal mineral i.e. Bentonite and Bauxite. We have expanded our activities horizontally / vertically and ventured into several new projects within and outside India, for manufacturing, mining, and processing of industrial minerals viz. Bentonite, Bauxite, Barites and value added products like Kaolin, Bleaching Clay, Calcined Bauxite, Geosynthetic Clay Liners etc.

The Company in an effort to widen its global market has also taken initiative steps to export minerals and its value added products globally to the countries like Antwerp, Azerbaijan, Nigeria, Malaysia, Brazil, China etc.

Through our own R & D Centre as well as sourced technology, we have made significant progress on the value chain. We have developed speciality mineral products for diverse applications like catlitter, toiletries, paper technology, water treatment etc.

Thus, there is every reason to feel upbeat about the prospects of the Company in 2006-2007 as well as across a longer time horizon.

### SUBSIDIARIES

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

The Bauxite sales have increased by 23.69% from Rs.283.98 millions to Rs.346.59 millions, over the previous year. The Company has maintained its growth and has earned profit after tax of Rs. 43.42 millions.

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

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

The Export Sales increased remarkably from Rs. 2.90 millions in the previous year to Rs. 66.02 million during the year under review, while there was a marginal decrease in the local sales. The profit after tax of the Company reduced to Rs.4.44 millions as compared to previous years profit of Rs.7.08 millions due to factors like higher taxation, increase in selling expenses, rates of interest etc.

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



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## c) Pesticides & Soil Nutrient Products – Ashapura Claytech Ltd.

The sales of this Company showed an improvement of 35.88% and stood at Rs.57.37 millions as against Rs.42.22 millions in the previous year, generating a profit of Rs. 3.93 millions in current fiscal and thereby reducing the previous years accumulated losses.

Your Company along with its wholly owned subsidiary – Ashapura International Ltd. owns 95.25% of share capital of Ashapura Claytech Ltd.

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

In its second year of operations, this Company reported sales of Rs.1132.02 millions and net profit of Rs. 157.78 millions.

Ashapura Minechem (UAE) FZE is a 100% subsidiary of your Company.

## ASSOCIATES

### Bleaching Clay Business - Ashapura Volclay Ltd.

This Company established itself as a market leader in Bleaching Clay business. The sales for the current financial year showed a rise of 35.28% from Rs.245.37 millions in the previous year to Rs.331.94 millions in the current year. The net profit for the current year has sharply increased by 72.17% over the previous year. The Company also successfully completed its Geosynthetic Clay Liner Project within a record time of 5 months and commenced commercial production.

Your Company owns 50% equity of Ashapura Volclay Ltd.

### Bleaching Clay Processing - Hudson MPA SDN BHD

Hudson MPA SDN BHD a Company incorporated under Malaysian Law, is engaged in the business of manufacturing bleaching clay. It caters to the Malaysian Edible Oil Industry, primarily dealing in the Palm Oil Industry. Your Company has acquired 25% stake in this Company with a strategy of expanding our market share to new geographical regions. Your Company has been supplying the raw material for Bleaching Clay Processing Plant to this Company.

## NEW PROJECTS

### Alumina Refinery

Your Company has planned to set up a 1 million ton Alumina Refinery in Kutch. The refinery will be set up as a 50:50 joint venture with a Chinese Company in two phases of 500,000 tonnes each. The Government of Gujarat has already granted an in-principal approval for the project. This decision of Government of Gujarat has been challenged in Gujarat High Court. The Court judgement in the matter is awaited.

### Kaolin Project

Kaolin is a widely used mineral for several industries. India has about 1 billion tonnes of reserves, of which Kerala has 126 million tonnes, which are superior in quality to other Kaolin reserves. The Company has been exporting bought out Kaolin for some time and has now decided to acquire mine reserves in Kerala and / or enter into agreements with existing mine owners. It also plans to setup a processing plant at Kerala, which would produce Hydrous Calcined, Hydrous Non-Calcined, Dry Calcined and Spray Dried Kaolin, which finds usage in different industries like Paint, Paper etc.

The Project cost would be around Rs.550 millions and would be financed with a mix of internal accruals and debts.

### Port Development Project

Your Company intends to take a 50% stake in an existing Company having rights to operate a part of Bedi Port which handles a majority of our Bauxite shipments. We intend to invest a sum upto Rs.100 millions in this business.

### Other Overseas Project

Your Company is exploring possibilities to invest in Joint Ventures in countries like Belgium, Azerbaijan and Nigeria to extend the reach and markets for its products.





## SUBSIDIARY COMPANIES

Pursuant to the provisions of Section 212 of the Companies Act, 1956, the Subsidiaries Annual Reports together with the Statement are annexed to this Report.

## CORPORATE GOVERNANCE

The 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 issues, 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 of Corporate Governance and a Report on Corporate Governance together with a Certificate from the Company's Auditors confirming compliance form a part of this Annual Report.

## EMPLOYEE STOCK OPTION SCHEME

The disclosures as required by Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, are as under :

### (A) ESOP (I) 2004 – for the Options granted on 15<sup>th</sup> June, 2004 :

- a) Options granted : The total number of Options granted to Employees on 15<sup>th</sup> June, 2004, were for 70,050 Shares (including 20,000 Options granted to Senior Management Personnel).
- b) Pricing formula : The Options/Shares were granted at Rs. 65.80p, calculated at a discount of 30% on an average of the weekly high and low of the closing prices of the Company's Equity Shares quoted on the Mumbai Stock Exchange, during the 4 weeks preceding the date of grant of Options.
- c) The number of Options vested on 15<sup>th</sup> June, 2005, were 68,100 Shares
- d) Details of Options exercised

Date	No. of Shares
23 <sup>rd</sup> June, 2005	48,150
1 <sup>st</sup> August, 2005	14,650
25 <sup>th</sup> October, 2005	4,250
30 <sup>th</sup> January, 2006	1,050

- e) Options lapsed are for 1,950 Shares.
- f) The number of Options in force : NIL.
- g) There has been no variation in terms of Options.
- h) Money realized by exercise of Options : Rs. 44,80,980/-
- i) Employee wise details of Options granted to :
  - i. The Executive Director of the Company was granted 20,000 Options/Shares.
  - ii. There was no other Employee who received a grant of Options equal to or exceeding 5% or more of the Options granted during the year.
  - iii. There were also no employees who received a grant of Options equal to or exceeding 1% of the issued Capital of the Company.
- j) Diluted Earning per Share (EPS) pursuant to issue of Shares on exercise of Option calculated in accordance with Accounting Standard (AS-20) is Rs.84.05.



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### (B) ESOP (II) 2004 – for Options granted on 22<sup>nd</sup> June, 2005 :

- a) Options granted : The total number of Options granted to Employees on 22<sup>nd</sup> June, 2005, were 82,450\*\* (including 7000\*\* Options granted to Senior Management Personnel).
- b) Pricing formula : The Options are to be acquired at Rs. 330.70 p.,\*\* calculated at a discount of 35% on an average of the weekly high and low of the closing prices of the Company's Equity Shares quoted on the Mumbai Stock Exchange, during the 4 weeks preceding the date of grant of Options.
- c) The number of Options vested : NIL
- d) The number of Options exercised : NIL
- e) The total number of shares arising as a result of exercise of Options are : NIL
- f) Options lapsed : NIL
- g) Variation of terms of Options : Not Applicable
- h) Money realized by exercised of Options : Not Applicable
- i) Total No. of Options in force : 82,450\*\*
- j) Employee wise details of Options granted to :
  - i. The Executive Director of the Company is granted 7,000\*\* Options/Shares.
  - ii. There was no other Employee who received a grant of Options equal to or exceeding 5% or more of the Options granted during the year.
  - iii. There were also no Employees who received a grant of Options equal to or exceeding 1% of the issued Capital of the Company.

As required under the Security Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guideline, 1999, the Auditors' Certificate on ESOP is given as an Annexure - III here to and forms a part of the Report.

\*\* Options were granted and the price was calculated before the sub-division of shares. Therefore when the Options will be vested, the shares will be issued in the ratio of 1:5 i.e. after giving effect of sub-division.

### DIRECTORS

Shri S. H. Bathiya and Smt. Dina C. Shah, Directors of the Company will retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required under the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm:

- i) that in preparation of the Annual Accounts for the year ended 31<sup>st</sup> March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) that the Directors had selected such accounting policies and applied consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31<sup>st</sup> March, 2006 and the profit of the Company for the year under review;
- 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;
- iv) that the Annual Accounts for the year ended 31<sup>st</sup> March, 2006, have been prepared on a 'going concern' basis.