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ANNUAL REPORT 2001-2002

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ANNUAL REPORT 2001-2002

BOARD OF DIRECTORS

Mrs. PARU M. JAYKRISHNA	*CHAIRPERSON & MANAGING DIRECTOR*
Mrs. ALPANA S. CHINAI	
Prof. PRADEEP JHA	
Mr. RAMU P. IYER	
Mr. PRAFULCHANDRA V. PATEL	
Mr. GOKUL M. JAYKRISHNA	*EXECUTIVE DIRECTOR*
Mr. MUNJAL M. JAYKRISHNA	

CFO & COMPANY SECRETARY

Mr. P. K. GUPTA

AUDITORS

M/s. TRUSHIT CHOKSHI & ASSOCIATES

BANKERS

STATE BANK OF INDIA

REGISTERED OFFICE & WORKS

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

CORPORATE OFFICE

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

CONTENTS	PAGE NOS.
Notice	1-4
Directors' Report	5-7
Corporate Governance Report	8-10
Auditors' Report	11-12
Balance Sheet	13
Profit & Loss Account	14
Schedules forming part of the Balance Sheet & Profit & Loss Account	15-23
Balance Sheet Abstract & Company's General Profile	24
Cash Flow Statement	25-26
Proxy Form and Attendance Slip	27

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NOTICE

Notice is hereby given that the 13th Annual General Meeting of the Members of AUDICHEM (INDIA) LIMITED will be held on 28th September, 2002 at the Registered Office situated at 166/169, Indrad Village, Kadi - Kalol Road, Dist: Mehsana, Gujarat, at 11 A.M. to transact the following business.

01 To receive, consider, approve and adopt the Audited Profit & Loss Account for the year ended 31st March, 2002 and the Audited Balance Sheet as at that date and the Director's and Auditor's report thereon.

02 To appoint a Director in place of Mr. Ramu P Iyer who retires by rotation and is eligible for re-appointment.

03 To appoint a Director in place of Mr. Prafulchandra V Patel who retires by rotation and is eligible for re-appointment.

04 To appoint auditors of the Company and fix their remuneration. Retiring auditors are eligible for re-appointment.

05 To appoint Prof. Pradeep Jha as Director of the Company, who was appointed an Additional Director of the Company by the Board of Directors with effect from 28.05.2002, and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956, but who is eligible for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a member proposing his candidature for the office of Director.

06 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 Sections 198, 269, 309, 310, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and in modification of the resolution passed earlier for re-appointment of Mrs. Paru M. Jaykrishna as the Managing Director of the Company at the Annual General Meeting of the Company held on 25th August, 2001, the consent of the Company is hereby granted for modifications as set out in the Explanatory Statement attached to this Notice with effect from 1st April, 2002."

"RESOLVED FURTHER THAT except for the above modifications, all other terms and conditions of re-appointment of Mrs. Paru M. Jaykrishna as Managing Director as specified in Ordinary Resolution read with the Explanatory Statement, pertaining to Item No. 7 of the Notice dated 15th June, 2001 for 12th Annual General Meeting held on 25th August, 2001 shall remain unaltered and will continue to be operative."

07 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 Sections 198, 269, 309, 310 Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and in modification of the resolution passed earlier for re-appointment of Mr. Gokul M. Jaykrishna as the Executive Director of the Company at the Annual General Meeting of the Company held on 25th August, 2001, the consent of the Company is hereby granted for modifications as set out in the Explanatory Statement attached to this Notice with effect from 1st April, 2002."

"RESOLVED FURTHER THAT except for the above modifications, all other terms and conditions of re-appointment of Mr. Gokul M. Jaykrishna as Executive Director as specified in Ordinary Resolution read with the Explanatory Statement, pertaining to Item No. 8 of the Notice dated 15th June, 2001 for 12th Annual General Meeting held on 25th August, 2001 shall remain unaltered and will continue to be operative."

By the Order of the Board of Directors

Gokul M Jaykrishna
Executive Director

Place : Ahmedabad
Date : 30th July, 2002

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NOTES FOR MEMBERS ATTENTION

01 **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED WITH THE COMPANY ATLEAST 48 HOURS PRIOR TO THE COMMENCEMENT OF THE MEETING.**

02 The relative explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of items of Special Business is annexed herewith.

03 The Register of Members and share Transfer Books of the Company will remain closed from **23.09.2002 to 28.09.2002 (both days inclusive).**

04 Members are requested to inform the Company or to the Registrar and Transfer Agents or Depository Participants

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(in case of shares held in electronic mode) any change in their addresses immediately so as to enable the company to despatch any future communication at their correct addresses.

05 In case mailing address mentioned in this Annual Report is without the PINCODE, then Members are requested to kindly inform their PINCODE immediately.

06 Members/Proxies should bring the attendance slip duly filled in for attending the meeting.

07 Members who are holding in identical order of names in more than one folio are requested to send to the company the details of such folios together with the share certificate for consolidating their shares in one folio. The share certificates will be returned to the members after making requisite change thereon.

08 As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the Meeting.

09 For the convenience of members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an Attendance Slip, which is annexed to the Proxy Form. Members are requested to append their signatures at the place provided on the Attendance Slip and hand it over at the entrance.

10 The members can also avail facility of nomination in terms of extant legal provisions in this regard. On request, the necessary form will be supplied by the Registrar and Share Transfer Agents.

11 Members are requested to send their queries if any, at least ten days in advance to the Registered Office, so that the information can be made available at the meeting.

12 **Depository System**

The Company, consequent to introduction of the Depository System (DS), entered into agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Members, therefore, now have the option of holding and dealing in the shares of the Company in electronic form through NSDL or CDSL.

Effective 28th May, 2001 trading in shares of the Company is permitted only in dematerialised form.

The Depository System envisages the elimination of several problems involved in the scrip-based system such as bad deliveries, fraudulent transfers, fake certificates, theft in postal transit, delay in transfers, mutilation of share certificates, etc. Simultaneously, DS offers several advantage like exemption from stamp duty, elimination of concept of market lot, elimination of bad deliveries, reduction in transaction costs, improved liquidity, etc.

ANNEXURE TO THE NOTICE :

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

ITEM NO. 5

Prof. Pradeep Jha was appointed Additional Director by the Board with effect from 28th May, 2002. In terms of Section 260 of the Act and Company's Articles of Association hold office as Director only till the date of the forthcoming Annual General Meeting, but is eligible for re-appointment. Notices have been received from members as required by Section 257 of the Act, signifying their intention to propose the candidature of Prof. Pradeep Jha for the office of Director.

Prof. Pradeep Jha is a renowned academician and educationalist. The Board of Directors considers that having regard to Prof. Pradeep Jha's professional experience, it is in the interest of the company to appoint him a Director and, therefore recommend his re-appointment. Prof. Pradeep Jha is interested in the resolution, as it deals with his re-appointment.

ITEM NO 6

Members have approved re-appointment of Mrs. Paru M. Jaykrishna as the Managing Director of the Company for a period of 5 years from 1st April, 2001. The details of her terms of re-appointment and payment of remuneration were set out in the Ordinary Resolution read with Explanatory Statement pertaining to Item No. 7 of the Notice dated 15th June, 2001 of 12th Annual General Meeting held on 25th August, 2001.

The Board of Directors at their Meeting held on 28th May, 2002 have approved following modifications in terms of remuneration of Mrs. Paru M. Jaykrishna with effect from 1st April, 2002.

1) Salary Rs. 100,000/- per month upto Rs. 200,000/- per month.

2) Commission at the rate of 2.5% of the net profits calculated in the manner laid down in Section 309(5) of the Companies Act, 1956.

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3) Incentive Allowance - as may be fixed by the Board, limited to four month's salary.

4) Perquisites:

1. Housing.

   a) The Managing Director will be provided with the Company hired furnished accommodation.

   b) If the Company does not provide housing, the Managing Director will be given HRA @50% of her salary.

2. Medical Reimbursement - Reimbursement of expenses incurred for self and family.

3. Leave Travel Concession - For self and family once a year in accordance with the rules of the Company.

4. Clubs Fees - Including Entrance Fee.

5. Reimbursement of expenses actually incurred for children's education.

6. Insurance Policy to cover personal effects, personal accident and medical expenses.

7. Reimbursement of all entertainment expenses incurred in course of Company's business.

8. Reimbursement of expenses incurred on travelling, boarding and lodging of spouse, personal valet, Ayah or Governess, if any, accompanying her and/or her family during her/their travel.

9. All expenses incurred for engaging servants/cook/maid/mali or gardener / sweeper / durwan and security personnel at her residence.

5) Other perquisites

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

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

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

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

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

e) Telephone at her residence.

6) Minimum Remuneration

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

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

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

Copy of the draft agreement approved by the Board on 28th May, 2002 Between the Company and Mrs. Paru M. Jaykrishna are open for inspection at the Registered Office of the Company during business hours of any Working day.

ITEM NO. 7

Members have approved re-appointment of Mr. Gokul M. Jaykrishna as the Executive Director of the Company for a period of 5 years from 1st April, 2001. The details of his terms of re-appointment and payment of remuneration were set out in the Ordinary Resolution read with Explanatory Statement pertaining to Item No. 8 of the Notice dated 15th June, 2001 of 12th Annual General Meeting held on 25th August, 2001.

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The Board of Directors at their Meeting held on 28th May, 2002 have approved following modifications in terms of remuneration of Mr. Gokul M. Jaykrishna with effect from 1st April, 2002.

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

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

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

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

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

   Copy of the draft agreement approved by the Board on 28th May, 2002 Between the Company and Mr. Gokul M. Jaykrishna are open for inspection at the Registered Office of the Company during business hours of any Working day.

By the Order of the Board of Directors

Place : Ahmedabad
Date : 30th July, 2002

Gokul M Jaykrishna
Executive Director

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DIRECTORS' REPORT

Dear Members,

The Directors have pleasure to present **THIRTEENTH** Annual Report and Audited Accounts for the financial year ended on 31st March, 2002.

FINANCIAL RESULTS

Your Company's performance during the Financial Year 2001-2002 is summarised below:-

		(Rs. in Millions)
	For the year ended on 31st March 2002	For the year ended on 31st March 2001
Gross Income	**236.559**	235.400
Exports	**199.679**	198.002
Gross Profit	**18.481**	11.363
Depreciation	**6.080**	5.919
Provision for Taxation	**1.300**	-
Net Profit	**11.110**	5.444
Transfer to General Reserves	**2.000**	2.000
Balance Carried forward	**40.909**	32.225

MANAGEMENT DISCUSSIONS AND ANALYSIS

1. **Financial Performance :**

   The gross turnover for the year was Rs. 237 millions during the year compared to Rs. 235 millions during the previous year despite substantial reduction in the realisations.

   Net profit for the current year after providing for taxation is doubled to Rs. 11.10 million compared to Rs. 5.44 million during the last year.

2. **Industry Scenario:**

   Your Company belong to Dyes and Intermediates Sector, which continues to affect by economic slowdown. However, by implementation of the total quality management, cost reduction exercise across organisation coupled with better capacity utilisation, your company has been able to maintain its growth.

3. **Exports:**

   Your Company continued to excel in export front and exports were of Rs. 200 millions compared to Rs. 198 millions of the previous year despite the substantial fall in realisations due to global competition.

4. **Export Award :**

   Your Directors are pleased to inform you that during the year your Company has received **First Award for Direct Export of Self Manufactured Dyes and Intermediates** for the year 2000-01 from The Gujarat Dyestuffs Manufacturers' Association.

DIVIDEND:

To conserve the resources, your Directors do not recommend any dividend for the current financial year.

CURRENT YEAR OUTLOOK:

Barring unforeseen circumstances, the Company expects to perform well during the current year.

FIXED DEPOSITS:

The Company has not accepted any fixed deposit from the public during the period. No deposits are outstanding as on 31st March, 2002.

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DEMATERIALISATION OF SHARES:

Your Directors are pleased to inform that with a view to provide better service to shareholders and improve liquidity, the Company has signed a Tripartite Agreement with NSDL & CDSL and the equity shares of the Company have been activated for DEMAT w.e.f. 28th May, 2001 under ISIN No. INE 542B01011. With effect from 01.05.2001, Equity Shares of the Company are under compulsory demat mode in Mumbai Stock Exchange.

COST AUDITOR:

The Company has received the approval of the Central Government for appointment of M/s. Kiran J. Mehta & Co as Cost Auditor to conduct cost audit for the financial year 2002-2003.

PERSONNEL:

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, is not applicable in view of amended limits.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors state that -

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- The accounting policies selected and applied are consistent and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company:
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The annual accounts have been prepared on a going concern basis.

DIRECTORS:

Mr Ramu P Iyer and Mr. Prafulchandra P Patel retire by rotation and being eligible offer themselves for re-appointment.

AUDITORS:

M/s Trushit Chokshi & Associates, Chartered Accountants retire and offer themselves for re-appointment.

PARTICULARS OF CONSERVATION OF ENERGY, TEHNOLOGY ABOSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The statement pursuant to section 217 (1) (e) of the Companies Act, 1956 read with the companies (disclosure particulars in the report of the Board of Directors) Rules 1988 is given in the Annexure - 1 forming part of this report.

ACKNOWLEDGEMENT

Your Directors express their sincere thanks to the Central & State Governments, Semi Government Institutions and Commercial Banks for their continued support and confidence in the Company.

The Directors hereby place on record their appreciation for the dedicated efforts put by the employees at all levels.

For and on behalf of the Board of Directors

Place : Ahmedabad
Date : 30th July, 2002

MRS. PARU M. JAYKRISHNA
Chairperson & Managing Director

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ANNEXURE 1 TO THE DIRECTORS' REPORT

INFORMATION IN PURSUANCE TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES: 1988

A: Conservation of Energy

The Company continues its efforts to improve method of energy conservation and utilisation.

FORM 'A'

		(Rs. in Millions)	
A)	**POWER & FUEL CONSUMPTION**	**2001-02**	**2000-01**
	1) Electricity		
	a) Purchased units (in millions)	**1.693**	1.380
	Total amount (Rs. in millions)	**7.769**	5.979
	Rate/Unit(Rs)	**4.59**	4.33
	b) Own Generation	**N.A.**	N.A.
	Units Generated	**N.A.**	N.A.
	Unit per Ltr. of Diesel	**N.A.**	N.A.
	Cost/Unit	**N.A.**	N.A.
	2) Diesel/Furnace Oil		
	(in thousand Ltrs)	**593.441**	635.981
	Cost (Rs. in millions)	**9.309**	9.376
	Rs. per Ltr	**15.69**	14.74
B)	**CONSUMPTION PER UNIT OF PRODUCTION (DYE INTERMEDIATE)**		
	Electricity (Units/Ton.)	**884**	780
	Diesel/Furnace Oil (Ltrs./Ton.)	**310**	360

B: TECHNOLOGY ABSORPTION "B"

1) Research & Development

Company is carrying out R& D activities for improvement in the quality of the products, develop new range of products and optimise operations.

2) Benefits derived as a result of R & D

- Improvement in quality and productivity.
- Improved efficiency of products and better customer satisfaction.
- Upgrading our existing products and introducing new products.
- Offering optimum product choice for diverse applications.
- With installation of Quality System and Total Quality Management, we have been able to get ISO 9001:2000 accreditation and this is in turn, has enabled us to plan, manufacture and supply material of International Standards. This activity has resulted in upgradation of all the documentation on the products to specify complete manufacturing and quality assurance needs.
- ISO 14001 - initiative is on.

3) Future plan of actions

It is proposed to accelerate R&D activities to improve quality, develop product variants and productivity.

4) Expenditure on R & D

	(Rs. in Millions)	
	2001-02	**2000-01**
Capital	**-**	0.190
Revenue/Recurring	**0.170**	0.129
Total	**0.170**	0.318
Total Expenditure as % of turnover	**0.07%**	0.14%

5) Technology Absorption and Innovation

Company's present technology is fully absorbed. Company's efforts have resulted in better process, better process control, increased production at lower cost and better environmental protection.

C : FOREIGN EXCHANGE EARNINGS AND OUT GO

	(Rs. in Millions)	
	2001-02	**2000-01**
Out go	**1.383**	3.030
Earnings	**199.679**	198.002

For and on behalf of the Board of Directors

MRS. PARU M. JAYKRISHNA
Chairperson & Managing Director

Place : Ahmedabad
Date : 30th July, 2002

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