

AksharChem

AksharChem (India) Ltd.

[Formerly Known as Audichem (India) Ltd.]



A N N U A L
R E P O R T
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ANNUAL REPORT 2003-2004

BOARD OF DIRECTORSMrs. PARU M. JAYKRISHNA *CHAIRPERSON & MANAGING DIRECTOR*

Prof. PRADEEP JHA

Mr. RAMU P. IYER

Mr. PRAFULCHANDRA V. PATEL

Mr. KIRAN J. MEHTA

Mr. GOKUL M. JAYKRISHNA *EXECUTIVE DIRECTOR*

Mr. MUNJAL M. JAYKRISHNA

CFO & COMPANY SECRETARY

Mr. P. K. GUPTA

AUDITORS

M/s. TRUSHIT CHOKSHI & ASSOCIATES

REGISTRAR & SHARE TRANSFER AGENTS

PINNACLE SHARES REGISTRY PVT. LTD

BANKERS

STATE BANK OF INDIA

REGISTERED OFFICE & WORKS166/169, INDRAD VILLAGE
KADI KALOL ROAD,
DIST. MEHSANA
GUJARAT — 382 727 (INDIA)**CORPORATE OFFICE**30, AMBICA SOCIETY
USMANPURA
AHMEDABAD - 380013
GUJARAT (INDIA)

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NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Members of AKSHARCHEM (INDIA) LIMITED will be held on 25th September, 2004 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, 2004 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 Prof. Pradeep Jha who retires by rotation and is eligible for re-appointment.
- 03 To appoint a Director in place of Mr. Kiran J. Mehta who retires by rotation and is eligible for re-appointment.
- 04 To appoint M/s. Trushit Chokshi & Associates, Chartered Accountants, Ahmedabad as Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By the Order of the Board of Directors

Place : Ahmedabad

Date : 29.06.2004

Gokul M Jaykrishna
Executive Director

NOTES FOR MEMBERS ATTENTION

- 01 **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED WITH THE COMPANY AT LEAST 48 HOURS PRIOR TO THE COMMENCEMENT OF THE MEETING.**
- 02 The relative explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of items of Special Business, if required, is annexed herewith.
- 03 The Register of Members and share Transfer Books of the Company will remain closed from 18.09.2004 to 25.09.2004 **(both days inclusive)**.
- 04 Members are requested to inform the Company or to the Registrar and Transfer Agents or Depository Participants (in case of shares held in electronic mode) any change in their addresses immediately so as to enable the company to despatch any future communication at their correct addresses.
- 05 In case mailing address mentioned in this Annual Report is without the PINCODE, then Members are requested to kindly inform their PINCODE immediately.
- 06 Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
- 07 Members who are holding in identical order of names in more than one folio are requested to send to the company the details of such folios together with the share certificate for consolidating their shares in one folio. The share certificates will be returned to the members after making requisite change thereon.
- 08 As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the Meeting.
- 09 For the convenience of members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an Attendance Slip, which is annexed to the Proxy Form. Members are requested to append their signatures at the place provided on the Attendance Slip and hand it over at the entrance.

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- 10 The members can also avail facility of nomination in terms of extent legal provisions in this regard. On request, the necessary form will be supplied by the Registrar and Share Transfer Agents.
- 11 Members are requested to send their queries if any, at least ten days in advance to the Registered Office, so that the information can be made available at the meeting.
- 12 **Depository System**

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

13 Share Transfer Agent

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

ANNEXURE

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

Prof. Pradeep Jha was first appointed on the Board on 21.04.1992 as an Additional Director. Prof. Pradeep Jha is a prominent Academician.

Directorships including the Company	Committee Memberships
Name of Company	Name of Committee
Asahi Songwon Colors Limited	Audit Committee, Shareholders' Committee
Aksharchem (India) Limited	Audit Committee, Shareholders' Committee

Mr. Kiran J. Mehta was first appointed on the Board on 27.07.2003 as an Additional Director. Mr. Kiran J. Mehta is prominent Cost Accountant and Financial Consultant.

Directorships including the Company	Committee Memberships
Name of Company	Name of Committee
AksharChem (India) Limited	Audit Committee, Shareholders' Committee

By the Order of the Board of Directors

Place : Ahmedabad
Date : 29.06.2004

Gokul M Jaykrishna
Executive Director

DIRECTORS REPORT, MANAGEMENT DISCUSSIONS & ANALYSIS

Dear Members,

The Directors have pleasure to present **FIFTEENTH** Annual Report and Audited Accounts for the financial year ended on 31st March, 2004.

FINANCIAL RESULTS

Your Company's performance during the Financial Year 2003-04 is summarised below:-

	For the year ended March 31, 2004	(Rs. in Millions) For the year ended March 31, 2003
Gross Income	238.109	297.719
Exports	40.105	269.246
Gross Profit	7.123	19.810
Depreciation	6.510	6.116
Provision for Taxation	0.450	3.300
Net Profit	0.163	10.394
Transfer to General Reserves	—	2.000
Balance Carried to Balance Sheet	48.650	48.558

DIVIDEND

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

OPERATIONAL PERFORMANCE

The Sales Turnover for the year decreased by almost 26% from Rs. 300 million to Rs. 222 million due to intense competition and price cutting. Despite this, the Company manages to earn a profit of Rs. 0.16 million (previous year Rs. 10.4 millions).

The Company's financial strength - short term as well as long term - is reflected in its strong current ratio and its Debt Equity ratio.

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

AksharChem manufactures Vinyl Sulphone encompassing several different sectors. Being industrial in nature, demand for its products is derived directly from that of the products of its customers and end-users which in turn span a large and diverse industry spectrum.

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

OPPORTUNITIES :

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

The abolition of the quota systems for the export of textiles with effect from 2005 will present a good opportunity for textile auxiliaries which can look forward to double digit annual growth.

THREATS, RISKS AND CONCERNS

Today almost all the businesses face a tangible threat from lower cost alternatives imported from China. Chinese products are highly competitive both on account of a better raw material cost position and economies of scale. India is also handicapped by its relatively high power and utility costs.

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

FUTURE OUTLOOK

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

There is good opportunity for servicing Large Chemical customers out of India provided that the additional cost on account of higher crude oil prices and duties can be offset by the several internal cost saving measures that are being implemented.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

CAUTIONARY STATEMENT

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

FOREIGN EXCHANGE EARNINGS AND OUTGO

The Foreign Exchange Earnings of the Company amounted to Rs. 40 million (previous year - Rs. 269 million). The net foreign exchange earnings of the Company after deducting outflow on all accounts, amounted to Rs. 40 million against Rs 267 million in the previous year.

The Export performance of the Company has reduced considerably due to diversion of exports through other Export Houses.

SAFETY AND ECOLOGY

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

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

Solid Waste, generated at Works, after the treatment of its liquid effluent is shifted to a Gujarat Pollution Control Board (GPCB) approved site as well as to reputed Cement manufacturers.

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

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

ENGINEERING

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

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

RESPONSIBILITY STATEMENT :

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

- (i) that in the preparation of the annual accounts for the year ended 31st March, 2004, the applicable accounting standards have been followed along with proper explanations in case of material departures;
- (ii) that such accounting policies as mentioned in Schedule 19 of the Annual Accounts have been applied consistently and judgements and estimates that are reasonable and prudent made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2004 and of the profit of the Company for that period;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) That the annual accounts for the year ended 31st March, 2004 have been prepared on a going concern basis.

CORPORATE GOVERNANCE:

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

DIRECTORS :

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

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

AUDITORS:

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

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

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

FIXED DEPOSITS

The Company has not accepted any fixed deposit from the public during the period. No deposits are outstanding as on 31st March, 2004.

COST AUDITORS

The Board has appointed M/s. M.K. Mehta & Associates, Cost Accountants, Ahmedabad, as Cost Auditors of the Company under Section 233 B of the Companies Act, 1956 for the financial year 2003-04. The Cost

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Auditors' Report for 2003-04 will be forwarded to the Central Government in pursuance of the provisions of the Companies Act, 1956.

PERSONNEL

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, forms part of this report.

ACKNOWLEDGEMENT

It is our strong belief that caring for our business constituents has and will go a long way in the progress of the Company. Your Directors acknowledge with sincere gratitude the cooperation and assistance extended by the Central Government, State Government, Financial Institutions, Banks, Customers and Vendors.

The Board, also takes this opportunity to express its deep gratitude for the continued co-operation and support received from its valued shareholders.

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 the Directors

Place : Ahmedabad

Date : 29.06.2004

MRS. PARU M. JAYKRISHNA

Chairperson & Managing Director

ANEXURE 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**

Energy conservation is an ongoing and focussed area of the Company. Potential energy savings have been identified and implemented which includes:-

- Replacement of motors with energy efficient and appropriate size capacity.
- Replacement of pumps with appropriate and efficient pumps.

FORM 'A'**A) POWER & FUEL CONSUMPTION**

(Rs. in Millions)

	<u>Current Year</u>	<u>Previous Year</u>
1) Electricity		
a) Purchased units (in millions)	1.936	2.169
Total amount (Rs. in millions)	8.916	9.976
Rate/unit (Rs)	4.61	4.60
b) Own generation	N.A.	N.A.
Units generated	N.A.	N.A.
Unit per Litter of diesel	N.A.	N.A.
Cost/Unit	N.A.	N.A.
2) Diesel/Furnace Oil (in thousand Ltrs)	372.944	563.108
Cost (Rs. in millions)	6.041	8.867
Rs. Per Ltr	16.20	15.75

B) CONSUMPTION PER UNIT OF PRODUCTION (DYE INTERMEDIATE)

Electricity (Units/Ton)	886	998
Diesel/furnace oil (Ltrs./Ton.)	171	259

FORM B

Form of disclosure of particulars with respect to Absorption of Technology Research and Development (R&D)

Research and Development :**1. Specific areas in which R&D carried out by the Company :**

The R&D department continued to direct its efforts towards the development of technology for Dye Intermediates and auxiliaries meant for export markets.

2. Benefits derived as a result of the above R&D :

R&D work resulted in enrichment of the Company's product range with promising new products and higher value addition due to cost reduction by way of process improvements, energy savings and reduction of chemical waste.

3. Further plan of action :

R&D activities are being further strengthened. The infrastructure has been improved. Now new "state of the art" equipments are being procured.

4. Expenditure on R&D

	(Rs. in Millions)	
	Current Year	Previous Year
Capital	-	-
Revenue/Recurring	0.259	0.170
Total	0.259	0.170
Total Expenditure as % of turnover	0.11%	0.06%

Technology Absorption and Innovation :**1. Efforts, in brief, made towards technology absorption , adaptation and innovation :**

The R&D Department absorbs the knowledge of chemicals technology from various sources and thereafter adapts the same to the Company's infrastructure, effect improvements to the products and processes of the Company including containment of pollution and control of effluents.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc. :

Benefits derived from these efforts include process rationalisation, product quality improvement, import substitution and overall cost reduction.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.

- a. Technology imported : NIL
 b. Year of Import : -
 c. Has technology been fully absorbed? : N.A.

Foreign Exchange Earnings and Outgo

1. Total foreign exchange earned : 40.105 million
 2. Total Foreign exchange used : 0.366 million

Anexure 2 to the Directors' Report

Information under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and Forming part of the Directors' Report for the period ended 31st day of March, 2004.

Name	Designation/ Nature of Duties	Remuneration (Rs.)	Net take home pay after tax & P.F. Deduction.	Qualifi cations	Experie nce (Years)	Date of Commen cement of employment	Age Last employment, in years	before joining the Company
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Mrs. Paru M Jaykrishna	Chairperson & M.D.	Rs.1,544,658/-	836,698/-	M.A. L.L.B.	34	Since Inception	61	—
Mr. Gokul M Jaykrishna	Executive Director	Rs.899,640/-	542,680/-	B.Sc. (Eco), USA	15	Since Inception	37	—

NOTES:

01 Gross remuneration comprises salary, allowances, monetary value of perquisites and the Company's contribution to Provident and Superannuation Funds and excludes contribution to Gratuity Fund on the basis of actuarial valuation.

02 The nature of employment is contractual

03 The employment is subject to rules and regulations of the Company in force from time to time.

For and on behalf of the Board of the Directors

Place : Ahmedabad

Date : 29.06.2004

MRS. PARU M. JAYKRISHNA
 Chairperson & Managing Director