

ARCHIES 
ARCHIES GREETINGS & GIFTS LTD.



1999-2000
Annual Report

profile

corporate

Archies was inceptioned in 1979 by Anil and Jagdish Moolchandani. From a humble beginning as a mail order supplier of posters and song books, Archies Greetings & Gifts Ltd. today, is India's largest manufacturer and distributor of greeting cards, stationery, gifts and related social expression products.

With headquarters at New Delhi, AG&G today has licencing arrangements with international giants like American Greetings Corp., USA, Gibson Greetings Inc., USA and Kel Geddes, New Zealand. The company's brands, Archies, Paper Rose, Fine Expressions and Paper Magic, produce top-of-the-line greeting cards for any season and every reason under the sun.

As an industry leader, the company is well aware of its social responsibilities. It contributes to the cause of the less privileged elderly by manufacturing and distributing HelpAge India greeting cards through its extensive network. The royalty from the proceeds goes to HelpAge charities.

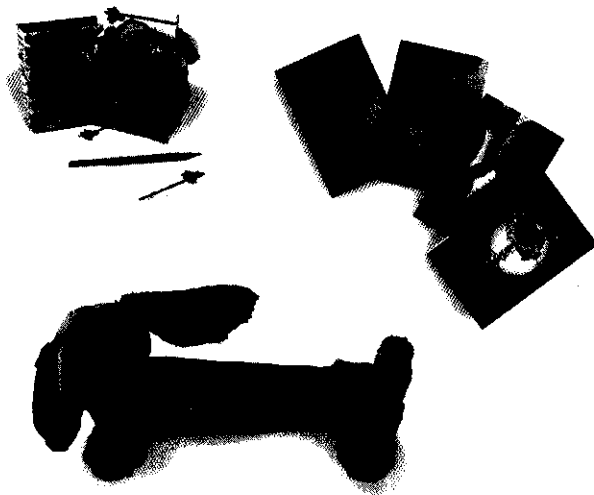
The ever expanding and glittering range of Archies products are showcased through Archies Gallerys, Archies The Card Shops and Paper Rose Shoppes, which form a wide franchise network of over 440 outlets spread across the country, as well as abroad. Besides this, a wide distribution network, services over 10,000 retailers, spreading happiness and Archies products to every nook and corner of the country.



Featured on the cover is one of our most popular selections. Friendship as a theme has always been a best seller. The rose which is the eternal symbol of love, accompanied by a delicate verse, compliment each other. And aptly express the emotional bond of this cherished relationship. A gracious way to say, "I care I".

annual report

contents



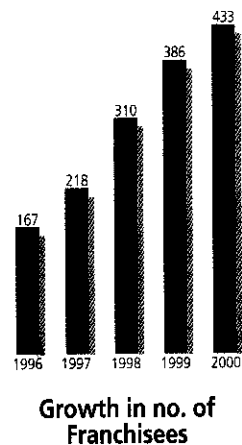
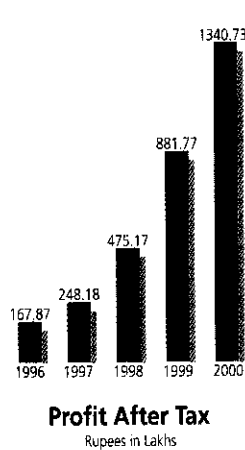
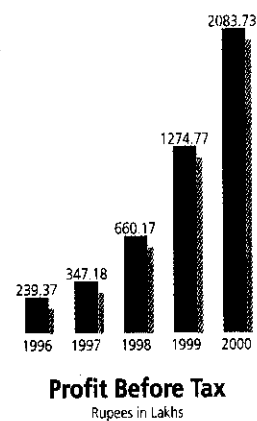
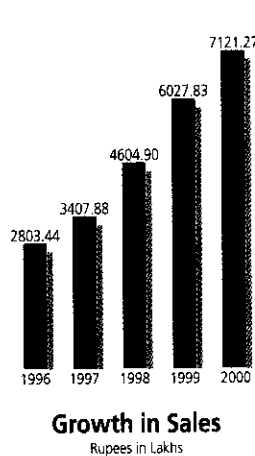
1	Financial Highlights
2	Letter to the Shareholders
5	Changing Lives with Greeting Cards
9	Emerging Businesses
11	Expressing Joy through Words
13	The Route to Success
14	Connecting People
15	Making Archies the Most Relevant Brand
16	Senior Officers
17	Board of Directors
18	Directors' Report
24	Auditors' Report
25	Annexure to the Auditors' Report
27	Balance Sheet
28	Profit and Loss Account
29	Schedules
41	Cash Flow Statement
43	Shareholders' Information

Highlights

financial

Rupees in Lakhs

	1999-2000	1998-1999	1997-1998
1. Total Turnover	7121.27	6027.83	4604.90
2. Other Income	93.76	56.07	28.84
3. Total Expenditure	5031.64	4732.60	3906.80
4. Profit before Depreciation, Interest and Tax (PBDIT)	2183.39	1351.30	726.94
5. PBDIT as a % of Total Turnover	30.66	22.42	15.79
6. Interest	3.14	---	8.51
7. Depreciation	96.52	76.53	58.26
8. Profit before Tax (PBT)	2083.73	1274.77	660.17
9. PBT as a % of Total Turnover	29.26	21.15	14.34
10. Provision for Taxation	743.00	393.00	185.00
11. Profit after Tax (PAT)	1340.73	881.77	475.17
12. PAT as a % of Total Turnover	18.83	14.63	10.32
13. Paid up Equity Share Capital	650.62	325.15	324.58
14. Reserves (excluding revaluation reserves)	2750.62	2024.43	1353.96
15. Net Worth	3378.84	2323.39	1639.72
16. Earning per share	Rs. 20.61	Rs. 27.10	Rs. 14.64
17. Book Value per share	Rs. 51.93	Rs. 71.41	Rs. 50.52
18. Dividend	51%	60%	35%
19. Amount of Dividend	248.86	195.22	113.88
20. Return on Average Net Worth	47.02%	44.50%	32.61%
21. Return on Average Capital Employed	72.57%	63.29%	43.22%



fellow shareholders,

Another good year has come to an end. As in the past, we were faced with a number of opportunities and challenges. Meeting each of them head-on, enabled our company to reach its long term strategic goals and objectives to enhance shareholder's value.

During the last fiscal, we reported an increase of 18% in sales and 52% in profits. The total turnover of the company grew to Rs.7121.27 lakhs from Rs. 6027.83 lakhs, whereas the profit after tax touched a level of Rs.1340.73 lakhs.

No doubt, we have reported an increase in sales, but less than the previous years, mainly because of various problems that surfaced along the way. Several innovative changes were initiated in our functioning style, the positive results of which will be reflected in the years to come.

Greeting Cards and Gifts are products which require adequate shelf space and effective display, a problem which we have been facing in our country. There is also an acute shortage of quality retailing. Because of this, we have not been able to grow at the same pace as we have in the past. Keeping this in mind, we have started rewriting the course of retailing in the social expressions industry.

In a revolutionary concept, we are opening select, premium Archies Gallerys, measuring over 1000 sq. ft. in area, in all major cities. These outlets will be large enough to showcase the entire range of Archies products and will give customers an unforgettable shopping experience.

To make this concept a success, AG&G has invested in several such premium stores. These stores will be owned by the company, and will require large investments at the

initial stage, but rewards in terms of profits will flow in subsequently. Franchisees are also being encouraged to open these super premium Archies Gallerys to showcase the entire Archies range in all its glory.

Besides our franchise outlets, there are thousands of multi-brand stores that are selling our products across the country. To provide effective, efficient and timely service to these retail outlets, we have implemented changes in our distribution system by appointing C&F agents at key locations. With this system, inventory maintained at C&F level will belong to the company, which will result in an increase in total inventory.

This activity will help in boosting the bottom line as well, because a C&F agent is paid a lower margin than a distributor. However, this change in the distribution system will be implemented in phases.

*While we are pleased that we have grown,
we will continue to strive for a better performance
and greater profitability in the coming years.*



Furthermore, we are installing an ERP System to have an effective control over C&F agents and AG&G owned stores, across the country.

Internet is the buzz word now-a-days. A fact we can't ignore. A subsidiary company of AG&G, Archies Online.Com Ltd., was set up in May, 2000, to launch a vertical e-commerce site called archiesonline.com.

A virtual treasure-trove of the fabulous range of AG&G greeting cards and gifts, archiesonline.com will provide netizens a very special way to meet, greet and gift. To enhance our success, we are also negotiating alliances with various portals, national and international, to support our site and divert traffic to us.

While we are pleased that we have

grown, we will continue to strive for a better performance and greater profitability in the coming years.

We will continue to seek new ways to maximize value throughout AG&G, and explore new growth opportunities to enhance shareholder's value.

There are great challenges ahead, not only for your Company, but for the industry as a whole. We look forward to your valuable suggestions and feedback, as we implement our plans and move ahead into the future.

Yours sincerely,

Anil Moolchandani
Chairman cum Managing Director.





with greeting cards

Celebrating life's milestones for more than one hundred years, greeting cards are certain to remain a cherished part of our culture for decades to come.

The perfect blend of art, verse and paper, a greeting card provides a warm and beautiful way of saying "I love you", "I'm sorry" or simply, "I care".

Truly, nothing can replace the warm and personal touch of a greeting card.

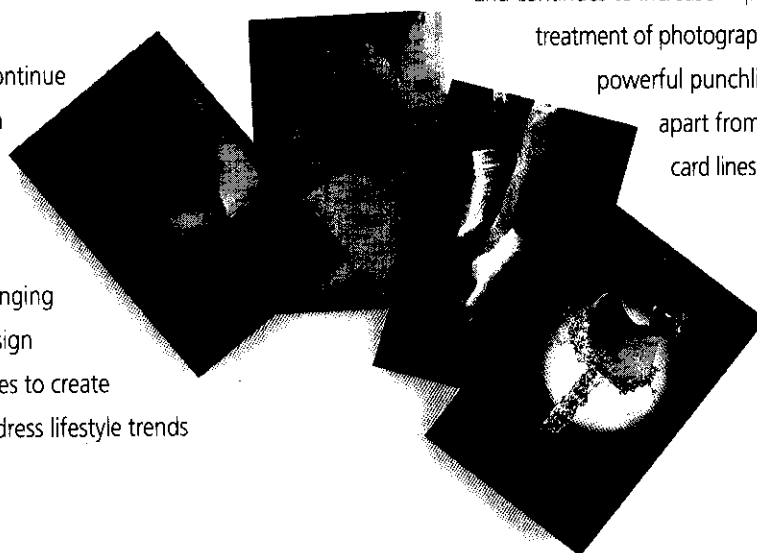
No wonder, our customers say that greeting cards are a critical part of their lives. Consumer purchases of greeting cards continued to increase at AG&G, and the turnover of greeting cards increased by 15% in the last year.

We at AG&G, will continue to remain focused on recognising and addressing the ever-changing lifestyles of ever-changing consumers. Our design department continues to create relevant cards to address lifestyle trends



and promoting one-to-one communication.

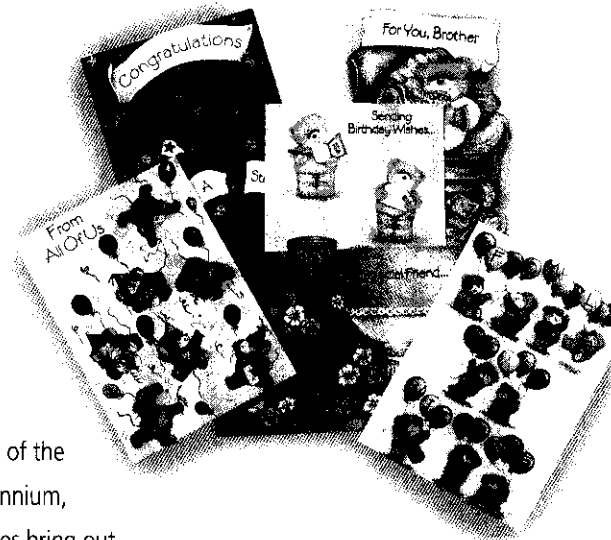
Several new series of cards launched in 1999-2000 were in the limelight and did tremendous sales. *Intuition* from Paper Rose became one of our best selling card lines and continues to increase in popularity. The bold treatment of photography and its short but powerful punchlines set *Intuition* apart from all other greeting card lines in the marketplace.



ARCHIES™

THE INTERNATIONAL FAVORITE
PAPER ROSE

Gibson

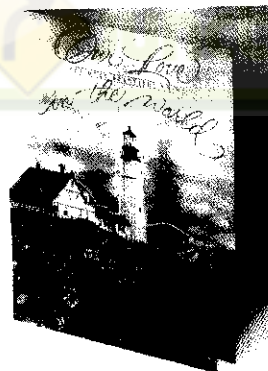


The onset of the new millennium, saw Archies bring out a range of 'Millennium Cards'. A wide array of designs and themes, were launched. A special value pack of 5 Millennium Cards for Rs 50/-, was a super hit and over 1.25 lakh packs were sold.

Several other series of cards were an instant success.

Tickles from Paper Rose, *Font* from Paper Magic, *Quintessence* and *Lasting Impressions* from Gibson, *Framed with Love*, *With You in Mind*, *Mice to Know* and *Paws for Thought* all under the brand name Archies, did extremely good sales.

A range of Hindi Cards were also launched by Archies last year. A perfect solution for consumers who prefer to express their feelings in their mother tongue. With cards in Hindi, Marathi and Gurumukhi in place, AG&G plans to introduce cards in other regional languages as well.



Another novel range titled 'Good morning 2000' was also well received by the consumers. A unique concept, these cards were specially made to greet the first morning of the year 2000. These cards were meant to be personally handed over on the first day of the year. The novelty became a rage all over the country.

The Corporate Cards Division also went from strength to strength, in the last year. HelpAge India Cards witnessed a growth of 25% over the last year. The range of specially designed millennium cards sold well as did new product extensions like telephone indexes and wall calendars.



The All Seasons Card range had a phenomenal growth last year. This range of cards was well appreciated all over the country. The list of prestigious Corporate buyers of AG&G cards is growing and now includes esteemed companies like Reliance, Bank of America, Birla International, Samsung, Dabur, LIC, to name a few.

All brands saw continued improvement last year in terms of both value and volume - something we expect to continue next year. Part of our success is the way we have designed our operations, in all markets. The creative, marketing and sales departments, leverage the company's own expertise in manufacturing, distribution and merchandising.

As a result, the company experienced tremendous increase in productivity which helped us gain new business in key national as well as international markets. This we hope should help us to continue reporting strong performances in the new year.

