



ARCHIES LIMITED
Annual Report 2003-2004

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Board of Directors

Anil Moolchandani

Chairman-cum-Managing Director

Jagdish Moolchandani

Executive Director

Pramod Arora

Executive Director

Vijayant Chhabra

Executive Director

Rohinton H. Kanga

Director

Sunil Behl

Director

Arun Singhal

Director

Ajit Ganpatlal Shah

Director

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Company Secretary

Ashok Kumar Binder

Auditors

M/s Uberoi Sood & Kapoor

Bankers

Citibank N.A.

Registered Office

A-17, Naraina Industrial Area
Phase - II, New Delhi - 110028

Corporate Office

A-37, Naraina Industrial Area
Phase - I, New Delhi - 110028

contents

Dear Shareholders

Giving: An idea

Highlight: An Idea

Expanding: An Idea

Year at a glance

Directors' Report



Dear Shareholders

REPORT

"If we do not take risks, we will not change.

If we do not change, we will not learn.

If we do not learn, we will not grow.

***Create an atmosphere for growth,
and we create an atmosphere for success.***

It is a lesson in life. It is a lesson in business."

Your company has completed 25 splendid years. The journey has been a special one indeed. We have also learnt some crucial lessons. And we have grown.

Our aggressive efforts to stay at the top of the industry and to bring our consumers the best of products over the years has resulted in our being selected as a Superbrand, thanks to our consumers. We are now recognized as the strongest brand in its category.

The first quarter of this current fiscal year has seen a reversal in trend, as the sales of our greeting cards during this period have shown positive signs, reiterating our belief in physical cards, indicating a prosperous coming year for us. We are confident that the team we have in place can demonstrate the commitment, leadership and teamwork necessary to take us to the next level of success.

During the year 2003-04, the company recorded a turnover of Rs.66.82 crores, a decrease of 12.3% from last year's Rs.76.22 crores. The decrease in our total turnover was primarily because of two reasons. First, we have moved away from our non-core perfume business. Second, we have withdrawn our distributorships from non-performing areas. This consolidation was undertaken keeping our focus on the progressive future we have planned.

Even though our turnover is down, the net profit has jumped from Rs.307.16 lacs in 2002-03 to an impressive Rs. 532.88 lacs this year. As a result, we have announced a 25% annual dividend this year.

"Some see things as they are and say 'Why?'

***We dream of things that never were and
say 'Why not?' "***

A promising and exciting future beckons us. One of our endeavours this year is to go well beyond the present distribution paradigm, reach our consumers in multiple ways at the point-of-purchase and create an experience of our brand among them.

The new retail age has brought in the *Mall culture*, where every brand wants to occupy space and get noticed. Consumers today see a never before explosion of choices and are becoming more discerning towards what they want, and what they don't. As consumers increasingly want their shopping experience to be enjoyable and engaging, the traditional retail stores are undergoing a dynamic churn as new formats are emerging rapidly.

Archies is making its mark here too. We are reinventing our distribution network and are constantly exploring avenues to innovate and expand. We want to be present wherever our consumer seeks us. Although our ability to enrich people's lives with meaning and beauty will always be at the core of whatever we do.

Even though the lack of organized competition has marred the growth of this industry, our constant effort has been to raise the standards of excellence.

For fast paced growth, we are evaluating the distributors' contributions by their performance in order to realize the optimum potential of our investments.

We have always believed in giving the best products to our consumers. To further this belief, we have brought the world's best in greeting cards, gifts and stationeries to make this brand that much more special for our consumers.

In an effort to provide a global perspective to our business, we have garnered the best gifts from Asian and European markets.

Who hasn't heard of the loveable Disney characters that have enraptured young and old alike for decades. After our licensing agreement with Walt Disney, you can now see these charming characters in our greeting

cards, gift items and stationeries. Our association with Simon Elvin, U.K.'s leading greeting cards publisher, will add a unique blend of contemporary art and new age fashion to our range of products. Our tie-up with SPIN of UK, a leading poster design house based in Britain, will now introduce a whole new range of posters of Pop stars, Bollywood celebrities and Hollywood icons.

The results of our previous associations with American Greetings, HelpAge and CRY have been exemplary. Today these brands have created a huge customer base. Besides giving a depth and variety to our product portfolio, they are helping us in furthering the social cause.

"To exist is to change.

To change is to mature.

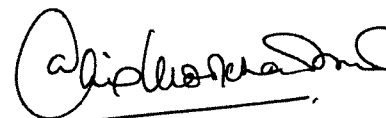
To mature is to go on creating oneself endlessly."

I believe this annual report will serve as a glimpse into the promising future we are heading towards. I request all our shareholders to visit our galleries, some of which are undergoing changes, so as to see and experience the changes we have brought.

I also take this opportunity to thank you for your unstinting support and faith in the company.

Thanking You,

Yours sincerely



Anil Moolchandani
Chairman-Cum-Managing Director



Giving: An idea?

***" 'Our creativity says it best' is our vision
because a creative mind sees runways,
not roadblocks.
Because we want to foster creative people
who are courageous, not critical. And
because being creative not only means doing
things differently, but doing them better."***

What is 'being creative'?

Is it using one's imaginative mind to create?
Is it something that stems from a passion to be
different, and follow one's heart?
Or to radically transform one's surroundings?

We say, all of these.

We say being a true creative involves creating
with an inspired mind, doggedly following
one's heart and passion, and eventually
witnessing the birth of something new.

Twenty-five years ago, a bunch of people with
similar aspirations and whole lot of ambition
put their brains together and started something
unique. Something that would later turn out to
be a revolution.

That something unique, as you must already be
aware, was Archies.

Archies was created based on a very simple
thought. A thought that resided in every
individual, but was seldomly expressed.

The thought of giving love!

We transformed this simple thought into the
products we made. Greeting cards. Gift items.
Stationeries. The sensitivity and enthusiasm
that went into making these products were
transfused into what they brought to people.
And the core pleasure that we derived from
such an effort was witnessing the birth of a new
era.

An era of a completely uninhibited, socially
expressive community. And the beginning of a
time where people became conscious, not of
keeping their emotions under wraps, but of
expressing them with distinctive warmth and
care. Greeting cards with themes on Holi,
Diwali, Rakhi, Birthday and New Year brought
with themselves an element of graciousness,
adding to the pleasure of these occasions.

Not to overlook smaller instances where people
needed a 'convenient factor' for saying it right,
our theme for cards also displayed an apology,
gratitude or even a pang of absence.

Not satisfied with just a single product, our
passion drove us to yet another marvel. Gift
items. The Friendship Band and the Teddy Bear,
our most famous ones, received such an
overwhelming response that it made the whole
effort worthwhile.

***"Our progress depends on how creatively
we approach our process.***

***The artist lives in all of us no matter
what we do and our work of art can be
on a canvas or on a flowchart."***

The creative minds at Archies not only made dynamic, immaculate 'products', but also took their simple notion to another, on a completely different plane and literally added a new dimension to the way life was enjoyed.

We introduced 'Celebrated Days'.

Such as Valentine's Day, Friendship Day, Father's Day, Mother's Day. These special days gave people an opportunity to move away from their daily grind and revel in such moments of celebration. And the greeting cards and gifts that exchanged hands and won hearts, simply added a heavenly touch to these moments.

A similar touch was provided in the stationery items. And considering their impression on people as a staid product, it was a much anticipated one too. We gave them a trendy look by adding loveable characters and inspiring messages."

And inspired ourselves to go further, and explore unmarked territories. Our hunger to innovate saw the formation of new relationships and alliances with world's leading greeting cards and design firms. Thereby adding a unique blend of international fashion with contemporary art in our repertoire of greeting cards and gifts.

In our journey of twenty-five years, we have achieved fame, we have learnt some crucial lessons, and we have grown. But we aren't the only ones who have benefited.

We have developed a platform for social organizations like HelpAge and CRY, and assisted them in showcasing their indigenous art and designs in the forms of greeting cards and stationery items. The sales of these are utilized in funding the organizations.

With efforts like these, we have kept ourselves inspired to achieve the limitless.

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"An interesting challenge, the perfect solution creativity comes from inside each of us, but it is inspired by the world around us. We foster creativity and excellence by developing a dynamic environment that challenges individuals to perform, motivates them continuously to improve, and recognizes their achievements."



Highlight: An Idea

Who could have imagined that a piece of two-fold paper would form such an inseparable part of our culture?

How about a group of people who believed in the power of their idea? And blindly followed their passion to create.

The artistic spirit that forms us, saw not an ordinary piece of paper, but a fitting medium for people to show that they care. And what better means to use, than a simple piece of paper adorned with stunning visuals and filled with charming, inspiring messages. Be it Birthdays, New Years or festivals such as Holi, Diwali, Rakhi, the greeting cards added an element of joviality in our community. These occasions, though already celebrated blissfully, were now infused with a completely new aspect. That of exchanging caring messages and charismatic gifts, and eventually, spreading more happiness.

And happiness knows no boundaries. Be it cultural or caste-based.

So we introduced vernacular cards, and gained success in reaching out to every part of this country, touching every culture. Even our ingenuous products like musical cards and Rakhi cards struck the right notes in the hearts of young and old alike, and bound people together with love.

But every idea, every successful piece of creative work has been met with vehement

criticism throughout the history of mankind. Every genius has had to sail through troubled waters, before sanctifying his achievements.

So did we.

The arrival of modern technology (sms, mms, e-cards) posed a grave danger to us. Or so people said.

But we sailed through and proved, that following one's heart resolutely is all one needs to maintain. The rest follows.

The first quarter of our current fiscal, greeting cards sales have shown a positive trend and display great promise. A testament, we would say, to the famous saying 'when the going gets tough, the tough gets going'.

And with Archies joining hands with global giants such as Disney, Simon Elvin, SPIN, our greeting cards will now have those famous, loveable characters that have enraptured the minds of people for decades, along with the fusion of Indian art with international fashion and quality.

With efforts like these, we plan to reach out to people and give them warmth.

And a reason to smile.



Expanding: An Idea

'Survival of the fittest.'

The famous biological law created by the genius of a man. And something that holds true universally.

Even though an idea, an artistic innovation can go as far as becoming renowned and popular, in order to sustain over a long period, flourish and achieve the pinnacle of success, the idea must grow. Not by changing its face, but by expanding its magnitude and the manner in which it reaches people.

For in these changing times of intensifying competition and continuous innovation, people's expectations from us are also changing. The bar keeps on getting higher, and higher. But we are up to it. Time and again.

Not only did we bring a new thought to people in the form of greeting cards and gifts, but the manner in which these reached them was a dynamic step in its own right. We promoted our products through a chain of stores opened in various parts of the country. The Retail Scenario was still in its infancy one and a half decades ago. And we laid the foundations of our business on this entirely new concept. Because, in the near future, we saw an immense potential in this method of expansion and reaching to people with our products.

And today, we see the arrival of international-standard malls in various parts of the country wherein people are indulged by the vibrant environment and plethora of purchase options.

Hence to take ourselves, and the people who adore us, to the next level of that simple thought we started with, we plan to open 10-15 more outlets in upcoming malls all over India. We have set ourselves a target to open around 100 outlets throughout the country in over the next 3-5 years. We wish to be present wherever we are desired for. Not only this, we've moved away from the non-performing units so as to streamline ourselves and amplify our focus.

Expanding our magnitude with the dynamism we have brought in our products. Our alliances with Disney, Simon Elvin, and SPIN will, we are sure, offer a magical experience to the people.

If it does, we will consider our every effort worthwhile.



Year at a glance

		(Rs. in Lakhs)		
S. No.	Particulars	2003-2004	2002-2003	2001-2002
1.	Total Turnover	6682.26	7622.47	8047.48
2.	Other Income	87.78	82.95	54.31
3.	Total Expenditure	5742.28	6985.26	6695.10
4.	Profit before Depreciation, Interest and Tax (PBDIT)	1027.76	720.16	1406.69
5.	PBDIT as a % of Total Turnover	15.38	9.45	17.48
6.	Interest	43.10	66.49	78.90
7.	Depreciation	156.18	151.08	137.40
8.	Profit Before Tax (PBT)	828.48	502.59	1190.39
9.	PBT as a % of Total Turnover	12.40	6.59	14.79
10.	Provision for Taxation	295.60	195.43	437.23
11.	Profit after Tax (PAT)	532.88	307.16	753.16
12.	PAT as a % of Total Turnover	7.97	4.03	9.36
13.	Paid-up Equity Share Capital	650.62	650.62	650.62
14.	Reserves (excluding revaluation reserves)	4416.76	4093.16	3893.47
15.	Net Worth	5060.14	4732.75	4529.27
16.	Earning Per Share (in Rs.)	8.19	4.72	11.58
17.	Book Value Per Share (in Rs.)	77.78	72.74	69.62
18.	Dividend (%)	25	15	20
19.	Amount of Dividend	162.65	97.59	130.12
20.	Return on Average Net Worth (%)	10.88	6.63	17.28
21.	Return on Average Capital Employed (%)	16.85	11.54	27.13