

# **ASAHI SONGWON COLORS LTD.**



**ANNUAL REPORT**

**2003-2004**

## **BOARD OF DIRECTORS**

MRS. PARU M. JAYKRISHNA

*CHAIRPERSON & MANAGING DIRECTOR*

MR. ARVIND GOENKA

MR. R.K. SUKDEVSINHJI

PROF. PRADEEP JHA

MR. SHRIKANT JHAVERI

MR. GOKUL M. JAYKRISHNA

MR. MUNJAL M. JAYKRISHNA

*EXECUTIVE DIRECTOR.*

## **CFO & COMPANY SECRETARY**

Mr. P.K. GUPTA

## **AUDITORS**

TRUSHIT CHOKSHI & ASSOCIATES

## **BANKERS**

STATE BANK OF INDIA

## **REGISTERED OFFICE & WORKS**

167/168, INDRAD VILLAGE,  
KADI KALOL ROAD,  
DIST. MEHSANA  
GUJARAT - 382 727 (INDIA)

## **CORPORATE OFFICE**

30, AMBICA SOCIETY  
USMANPURA  
AHMEDABAD - 380 013  
GUJARAT (INDIA)

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## NOTICE

Notice is hereby given that the 14<sup>th</sup> Annual General Meeting of the Members of **ASAHI SONGWON COLORS LIMITED** will be held on 25<sup>th</sup> September, 2004 at the Registered Office situated at 167/168, Indrad Village, Kadi - Kalol Road, Dist: Mehsana, Gujarat, at 11.30 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 Mr. Arvind Goenka who retires by rotation and is eligible for re-appointment.
- 03 To appoint a Director in place of Mr. Shrikant Jhaveri who retires by rotation and is eligible for re-appointment.
- 04 To appoint a Director in place of Mr. Gokul M. Jaykrishna who retires by rotation and is eligible for re-appointment.
- 05 To appoint auditors of the Company and fix their remuneration. Retiring auditors are eligible for re-appointment.
- 06 To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution

"RESOLVED THAT in suppression of the Ordinary Resolution passed by the members in earlier Annual General Meetings, pursuant to the provisions of section 293(1) (d) of the Companies Act, 1956, the Company hereby accords its consent to Board of Directors to borrow any sum or sums of money from time to time from any one or more of the company's banks and/or from any one or more persons, firms, bodies corporate or Financial Institutions, Foreign Financial Institutions, OCBs, mutual funds, bilateral agencies, infrastructure funds, NBFCs whether by way of cash credit, advances or deposits, loans or bill on the security by means of mortgage, charge, hypothecation or lien or pledge of the company's assets and properties whether leased out or given to various clients on hire purchase, whether movable or stock in trade (including raw materials, stores, spare parts and components in stock or in transit) and all or any of the undertakings of the company notwithstanding that the money to be borrowed together with the money(s) already borrowed by the Company (apart from the temporary loans obtained from the company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, but so, however, that the total amount upto which the money may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 50 Crore (Rupees Fifty Crores Only) exclusive of interest and Directors are hereby further authorised to execute such deeds of mortgage, charge, hypothecation, lien, promissory notes, deposit receipts and other deeds and instruments or writings as they may think fit and containing such conditions and covenants as the Directors may think fit".

- 07 To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution.

"RESOLVED that pursuant to the provisions of Section 293(1) (a) and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging on such terms and conditions and at such time or times, and in such form and manner, as it may think fit, the whole or substantially the whole of the Company's any one or more of the undertakings or all the undertakings, including the present and/or future properties, whether movable or immovable, comprised in any existing or new undertaking or undertakings of the Company as the case may be in favour of the Trustees (appointed / to be appointed by the Board) or Lenders for the Secured Redeemable Non-Convertible Debentures and/or Loans (Short term/ Medium term/ Long term), (both Rupee & Foreign Currency Loans) upto an aggregate value not exceeding Rs. 50 Crores (Rupees Fifty Crores Only) (hereinafter referred to as the "Debentures/Loans") issued/to be issued and loans raised/to be raised by the Company upon the terms and conditions as may be decided by the Board of Directors of the Company in accordance with the relevant statutory provisions and guidelines issued in that behalf on private placement basis or otherwise, as the case may be."

"RESOLVED FURTHER that the securities to be created by the Company as aforesaid may rank pari passu with the mortgage and/or charges already created or to be created in future by the Company or in such other manner and ranking as may be thought expedient by the Board of Directors and as may be agreed to between the concerned parties."

"RESOLVED FURTHER that the Board of Directors or its Committee or persons authorised by the Board, be and is/are hereby authorised to finalise and execute and all agreements and documents, necessary for creating mortgages and/or charges as aforesaid and to do all such acts, deeds, matters, and things as may be considered necessary, desirable or expedient for implementing this resolution and to resolve any question or doubt relating thereto, or otherwise considered to be in the best interests of the Company".

By the Order of the Board of Directors

Place: Ahmedabad  
Date: 29.06.2004

**MUNJAL 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 ATLEAST 48 HOURS PRIOR TO THE COMMENCEMENT OF THE MEETING.
- 02 In case mailing address mentioned in this Annual Report is without the PINCODE, then Members are requested to kindly inform their PINCODE immediately.
- 03 Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
- 04 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.
- 05 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.
- 06 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.
- 07 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.

### ANNEXURE TO THE NOTICE

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

##### ITEM NO. 6 & 7

In order to meet the requirement of funds for financing of Company's New Projects, capital expenditure of working capital requirements and/or general corporate purposes, the Company has to raise funds from time to time from Banks / Financial Institutions / Investment Institutions / Mutual Funds / Bodies Corporate / Foreign Financial Institutions / Individuals and / or any other agency or agencies by way of term loans, both in rupee and foreign currency and/or Non-Convertible Debentures (for short term/medium term/long term) which are normally secured by a mortgage/charge over the immovable/movable properties of one or more units of the Company. It is in the above circumstances that the resolution as in this item of the Notice is commended for your acceptance.

None of the Directors of the Company is concerned or interested in the Special Resolution.

By the Order of the Board of Directors

Place: Ahmedabad  
Date: 29.06.2004

**MUNJAL M JAYKRISHNA**  
**EXECUTIVE DIRECTOR**

## ASAHI SONGWON COLORS LIMITED

### DIRECTORS REPORT - 2003-2004

Dear Members,

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

### FINANCIAL RESULTS

Your Company's performance during the Financial Year 2003-2004 is summarised below:-

	(Rs. in Millions)	
	For the year ended on 31 <sup>st</sup> March 2004	For the year ended on 31 <sup>st</sup> March, 2003
<b>Gross Income</b>	322.23	169.44
<b>Exports</b>	283.64	150.69
<b>Gross Profit</b>	18.16	34.12
<b>Depreciation</b>	3.76	3.79
<b>Provision for Taxation</b>	3.80	5.20
<b>Net Profit</b>	10.59	25.13
<b>Dividend (including tax on distributed Profit)</b>	4.33	10.84
<b>Transfer to General Reserves</b>	2.00	2.00
<b>Profit &amp; Loss Account Balance Carried forward</b>	34.83	30.72

### DIVIDEND

To conserve the resources, your Directors have recommended only 10% dividend for the current financial year.

### OPERATIONAL PERFORMANCE

**The Dyes & Pigment market** during 2003-04 was characterised by intense competition and price cutting. Notwithstanding these developments ASAHI SONGWON posted impressive financial results.

Supported by strong Merchant Exports of Rs. 170 Millions total income of the Company grew by 90% from Rs. 169 millions in 2002-03 to Rs. 322 millions in 2003-04. Pre-tax profits (PBT) decreased by 52.% from Rs.30 millions to Rs.14 millions and post-tax profit (PAT) are decreased from Rs.25.1 millions to Rs. 10.6 millions.

Good sales growth was accompanied by improvement in cost rationalisation, better working capital management and efficiency in manufacturing and higher productivity.

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**

Asahi Song won manufactures Pigment Green 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 Pigment Green and is in a position to manufacture large volumes of this important building block in a wide range of Dyes forms. Overall, the Dyes & Pigments 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.

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 & Pigments. The volatility of Rupee and the inequitable indirect duty structure are an additional cause for concern.

## **FUTURE OUTLOOK**

The outlook is goods despite a very competitive state of affairs in the market. While the quality of our Dyes & Pigments is world-class, in the International markets particularly we are facing a significant price resistance. Asahi Song won 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. 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.

## **NEW BLUE CRUDE PROJECT**

Company is setting up a new 100% EOU based at Plot No. 429-432, ECP Channel Road, Village Dudhwada, Tal. Padra, Dist. Vadodara that is expected to commence production by third quarter of the Financial Year 2004-05.

## **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. 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. 284 million (previous year - Rs. 151 million). The net foreign exchange earnings of the Company after deducting outflow on all accounts, amounted to Rs. 281 million against Rs 148 million in the previous year.

The Export performance of the Company has improved considerably due to Merchant Exports.

## 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.

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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> March, 2004 has been prepared on a going concern basis.

## CORPORATE GOVERNANCE

Although not a listed company but as a responsible corporate citizen necessary measures are taken to observe various good corporate governance requirements. A report on the Corporate Governance, forms part of this report.

## DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Arvind Goenka, Mr. Shrikant Jhaveri and Mr. Gokul M. Jaykrishna are due to retire at the forthcoming annual general meeting, and being eligible, have offered themselves for re-appointment.

## 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.