

**15<sup>TH</sup>**  
**ANNUAL REPORT**  
**2006-2007**



**ASHOK ALCO-CHEM LIMITED**

## ASHOK ALCO-CHEM LIMITED

<b>BOARD OF DIRECTORS</b>	: ASHOK M. KADAKIA PANKAJ M. KADAKIA DR. ANIL M. KADAKIA VIPIN P. SHAH DR. UMESH S. KULKARNI SUBRAMANIAM AYYAR SHYAM P. KADAKIA	Chairman Vice Chairman Managing Director Independent Director Independent Director Independent Director Director
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**BANKERS** : **DENA BANK**

**AUDITORS** : **N. P. PATWA & CO.**  
Chartered Accountants, Mumbai

**SOLICITORS** : **MULLA & MULLA & CRAIGE BLUNT & CAROE,**  
**MUMBAI**

**REGISTERED OFFICE** : 406, Sharda Chambers,  
33, New Marine Lines, Mumbai - 400 020  
Tel. Nos. : 22002236/56, Fax No.: 22009456

**PLANTS** : **ACETIC ACID UNIT & ETHYL ACETATE UNIT**  
Plot No.A-22/2/1, Mahad Industrial Area,  
Village Kamble, Mahad - 402 301,  
Dist: Raigad, Maharashtra

**SHARE TRANSFER AGENT** : **INTIME SPECTRUM REGISTRY LTD.**  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (W),  
Mumbai - 400 078  
Phones : 022- 2596 38 38  
Fax: 022 – 2594 69 69  
E-mail: isrl@vsnl.com

**ASHOK ALCO-CHEM LIMITED****NOTICE**

Notice is hereby given that the Fifteenth Annual General Meeting of Ashok Alco-Chem Limited will be held on Saturday, the 29th December, 2007 at 11.00 a.m. at 8<sup>th</sup> Floor, Sharda Chambers Hall, Sharda Chambers, New Marine Lines, Mumbai - 400 020, to transact the following **Ordinary business** :

- 1 To receive, consider and adopt the Audited Profit and Loss Account for the year ended 30<sup>th</sup> June, 2007, Balance sheet as of that date together with reports of Directors and Auditors thereon.
- 2 To appoint a Director in place of Shri Shyam P. Kadakia, who retires by rotation and being eligible, offers himself for re-appointment.
- 3 To appoint Auditors and to fix their remuneration.

**For and on behalf of the Board of Directors,**

**Place : Mumbai**  
**Date : 23rd November, 2007**

**Ashok M. Kadakia**  
**Chairman**

**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL VOTE INSTEAD OF HIM AND A PROXY NEED NOT BE A MEMBER.
2. Proxies in order to be effective must be received by the Company at its Registered Office not later than 48 hours before the commencement of the Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 22<sup>nd</sup> December, 2007 to Saturday, the 29<sup>th</sup> December, 2007 (both days inclusive)
3. Members are requested
  - i) to notify changes, if any, in their address to the Registrar and Share Transfer Agents at the earliest.
  - ii) to hand over the enclosed attendance slip, duly signed in accordance with their specimen signatures registered with the Company for admission to the venue of the Meeting.
4. Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the Company at least seven days in advance of the Meeting so that the information required can be readily available at the meeting.
5. Pursuant to SEBI circular No. D&CC/FITTC/CIR-15/2002 dtd. 27.12.2002 all the work related to share registry in terms of both physical and electronic are being done by the Company's R&T Agents M/s. Intime Spectrum Registry Ltd. Therefore, shareholders are requested to send their communication directly to them in future.

**ANNEXURE TO THE NOTICE OF ANNUAL GENERAL MEETING.**

Information pursuant to Clause 49 of the Listing Agreement regarding reappointment of Director.

Name of the Director	:	Shri Shyam Pankaj Kadakia
Date of Birth	:	22 <sup>nd</sup> May, 1984
Date of Appointment	:	15-09-2005
Specialised Expertise	:	Chemical Engineering
Qualifications	:	B.S. Chemical Engineering
Directorships of others	:	Nil
Companies as on 30 <sup>th</sup> June, 2007	:	
Chairman/ Member of Committees of Companies	:	Member of Share holders' Grievance Committee of Ashok Alco-Chem Limited.

**ASHOK ALCO-CHEM LIMITED****DIRECTORS' REPORT**

To,

The Members  
Ashok Alco-Chem Limited

Your Directors submit their 15<sup>th</sup> Annual Report together with the Statement of Account for the year ended on 30<sup>th</sup> June, 2007. The financial performance of the Company during the year under review is as follows :

**1. Financial Results :**

	<b>(Rs. In Lacs)</b>	
	<b>30<sup>th</sup> June, 2007 (15 Months)</b>	<b>31<sup>st</sup> March, 2006 (12 Months)</b>
Turnover (net of excise and sales tax) and Other Income	<b>2546</b>	3107
Profit / (Loss) Before Interest & Depreciation	<b>617</b>	466
Add/Less : Interest	<b>231</b>	183
Depreciation	<b>141</b>	120
Profit before Tax	<b>245</b>	163
Less : Taxes & Deferred Tax/ Expense (Surplus)	<b>181</b>	(68)
Add: Extra Ordinary Item & prior period adj.	<b>21</b>	6
Net Profit for the Year	<b>85</b>	225
Balance in Profit & Loss Account	<b>(1738 )</b>	(1963)
Transfer from Debenture Redemption Reserve	<b>200</b>	—
Balance Available for Appropriation	<b>( 1453)</b>	(1738)

**2. Dividend :**

In view of the carried forward loss, your Directors regret their inability to recommend payment of dividend to the Shareholders for the year under review..

**3. Operation in Retrospect :**

The production of Ethyl Acetate remained closed for part of the year, due to the non availability of adequate Power and Raw Material at reasonable price, adverse then prevailing market conditions and non availability of requisite working Capital for operation of the Company. Despite thereof, the Company could produce 4412 MT of Glacial Acetic Acid (i.e. decreased by 46.62 %, compared to past Year ).

During the current year, all possible efforts are being made to run the plant at its optimum capacity and generate Higher revenue .

**4. Extension of Financial Year :**

In order to reflect correct business performance of the Company, the Board of Directors extended the financial Year by Three months to end on 30<sup>th</sup> June, 2007, in place of 31<sup>st</sup> March, 2007, thereby making the financial year of 15 ( Fifteen ) Months. Performance of Financial Year is therefore not comparable in absolute terms.

**5. Reference u/s. 15 of the Sick Industrial Companies (Special Provisions) Act, 1985**

The Company, being SICK Company, continues to be registered with BIFR under reference Case No. 291/2003 of the Board for Industrial and financial reconstruction (BIFR) for rehabilitation.

**6. Fixed Deposits :**

Your Company has not accepted any fixed deposit from public attracting the provisions of Section 58 A of The Companies Act, 1956 and the rules made there under.

**7. Insurance :**

The properties and insurable assets of the Company including buildings, plant and machinery and inventories are adequately insured.

**8. Board of Directors :**

Shri Shyam P. Kadakia, the Director, retires by rotation at the ensuing Annual General Meeting, however, being eligible, offers himself for re-appointment.

**9. Auditors :**

M/s. N.P. Patwa & Company, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting, being eligible, offer themselves for re-appointment.

Members are requested to consider their re-appointment as the Statutory Auditors of the Company for the Current financial Year and fix their remuneration.

## ASHOK ALCO-CHEM LIMITED

### 10. Audit Committee :

As required in terms of Clause 49 of the Listing Agreement entered in to with the Bombay Stock Exchange Limited, the Audit Committee duly constituted by Independent Directors, performed its duties as required in terms thereof.

### 11. Directors' Responsibility Statement :

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors state that :

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- ii) they have, in the selection of the accounting policies, consulted the Statutory auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year viz., June 30, 2007 and of the Profit of the Company for the year ended on that date;
- iii) they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting standards and records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) they have prepared the annual accounts on a going concern basis.

### 12. Comments on Auditors' Report :

#### (i) Point no.4 in the auditors' report relating to unpaid liabilities

In view of continuous heavy financial losses borne by Ashok Organic Limited (AOIL), no payment could be received from it to settle the unpaid liabilities. Necessary follow up being made to settle the dues with the help of AOIL.

#### (ii) Point No.6 Provision for Sales Tax Deferment Liabilities

In view of the carried Forward financial losses of the Company, the said investments could not be made, however, the same would be paid no sooner, fund position permits

#### (iii) Point No. 7, 9 & 10 Auditors' Report

The Company would register release of the charges on its asset with Office of the Registrar of Companies, upon receipt of no due certificates from HDFC and Dena Bank respectively.

#### (iv) Point No. 12 & 13

Auditors' remarks are reported as statement of facts and are self explanatory, however, the amount would be deposited / paid, no sooner, fund position permits

### 13. Corporate Governance :

As per the amended Listing Agreement with the Bombay Stock Exchange Limited , your Company complied with the requirements of Corporate Governance and the Report on Corporate Governance forming part of this Report is enclosed as **Annexure- C**. whereas the report on Management Discussion And Analysis is enclosed as **Annexure- B**.

### 14. Other Disclosures :

Information as per Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of this Report, is annexed to this report as **Annexure- A**.

As per Section 217 (2A) read with Companies (Particulars of Employees) Rules, 1975, as amended, are not furnished as no employees were covered there under, during the year under review.

Pursuant to Clause 32 of the Listing Agreement with the Stock Exchanges, Cash Flow Statement, together with the Auditors' Certificate thereto, is annexed to this Report.

### 15. Employees :

An atmosphere of understanding prevailed at all levels of employees of the Company.

### 16. Acknowledgment :

The Board acknowledges with thanks the contributions and support received from the Government, Local Authorities, Financial Institutions and Banks, , Suppliers, Valued Customers, employees and the Shareholders of the Company.

For and on behalf of the Board of Directors,

Date : 23<sup>rd</sup> November, 2007

Place : Mumbai

Ashok M. Kadakia  
Chairman

**ASHOK ALCO-CHEM LIMITED****Annexure "A"**

Information as per section 217 (1) (e) read with companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended and forming part of the Directors' Report for the year ended 30<sup>th</sup> June, 2007.

**A. CONSERVATION OF ENERGY :****(a) Measures taken :**

The company undertook various energy conservation measures at its manufacturing units which, inter alia, include :

- (i) Cooling tower at Mahad shows improved performance by use of non-conventional parts and accessories.
- (ii) Power factor improved by Installation of capacitors.

**(b) Additional Investments & Proposals :**

- (i) Painting and insulation of pipelines and equipments periodically.
- (ii) Replacement of out-dated/old parts and accessories on regular basis

**(c) Impact of the measures :**

The measures have benefited the company in optimizing the energy consumption per unit of production under continuous operation.

**(d) Total energy consumption and energy consumption per unit of production.**

<b>A Power and fuel Consumption :</b>	<b>2006-07</b>	<b>2005-06</b>
<b>1) ELECTRICITY</b>		
(a) Purchased -		
Unit (kwh.in lacs)	23.64	39.17
Total Amount (Rs.in lacs)	112.32	136.68
Cost Per Unit	4.75	3.49
(b) Own Generation		
(i) Through Diesel Generator -		
Units (Kwh. In lacs)	NIL	0.06
Units per liter of Diesel Oil	NIL	3.36
Cost per Units	NIL	9.83
<b>2) FURNACE OIL</b>		
Quantity (K. Ltrs.)	1174.11	2178.28
Total Amount (Rs. In lacs)	174.70	305.42
Average Rate (per K. Ltrs.)	14897.00	14020.00
<b>3) DIESEL OIL</b>		
Quantity ( K. Ltrs.)	NIL	1.69
Total Amount (Rs. In lacs)	NIL	0.59
Average Rate (per K. Ltrs.)	NIL	35375.00
<b>4) COAL</b>		
(Steam Coal of Grade A/B used as fuel for Boiler)		
Quantity (MT)	NIL	NIL
Total Cost (Rs. In lacs)	NIL	NIL
Average Rate	NIL	NIL
<b>5) BAGASSE/WOOD</b>		
Quantity (MT)	NIL	NIL
Total Cost (Rs. In lacs)	NIL	NIL
Average Rate	NIL	NIL
<b>6) BIO-GAS PRODUCED &amp; CONSUMED IN LAC M3</b>		
Total Amount (Rs. In lacs)	NIL	NIL

**ASHOK ALCO-CHEM LIMITED****II. CONSUMPTION PER UNIT OF PRODUCTION**

(Please refer Notes given here in below)

**Name of the Product**

(i) Industrial Alcohol :		
Electricity Kwh/Lac Ltr.	NIL	NIL
(ii) Acetic Acid :		
Electricity Kwh/MT	NIL	474
Furnace Oil K. Ltr./MT	NIL	264
(iii) Ester :		
Electricity Kwh/MT		
Furnace Oil K. Ltr./MT		

**Notes:**

- The consumption per unit of production gives only broad indication as it is arrived at without taking into consideration the variations in grade, quality and purity of the products.
- The consumption of power per unit of production includes the consumption for ETP.
- Coal, Bagasse and Bio-gas being alternative sources of energy, it is not possible to determine their respective consumption per unit of production.

**B. I. TECHNOLOGY ABSORPTION :**

Efforts made in technology absorption :

**RESEARCH & DEVELOPMENT :****1) Specific area in which R&D carried out by the Company.**

- Processes are modified on on-going basis for enhancing the efficiency and energy conservation.

**2) Benefits derived as a result of above R & D**

- Higher production and productivity
- Better product quality
- Reduced Pollution

**3) Future plan of action :**

Continuous efforts are made to save energy and to improve the quality.

- Company has incurred expenditure of Rs. Nil on R & D.

**II. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION :****1) Efforts, in brief, made towards technology absorption, adaptation & Innovation.**

Effluent Treatment-cum-Bio-gas Plant and Secondary ETP are set up in technical collaboration from Aqua Technos Co. Ltd., Thailand. Under the agreement, the collaborators have supplied technical documentation and equipment list alongwith the specifications.

**2) Benefits derived as a result of the above efforts.**

Methane gas generated from Effluent Treatment-cum-Bio-gas Plant is available as fuel. Secondary ETP further processes the effluent for better environment and farming.

**C. FOREIGN EXCHANGE EARNING AND OUT GO :**

- Activities relating to exports, initiative taken to increase exports, development of new export markets for products and services and export plans.  
Efforts are being made for enhancing exports performance.
- Total Foreign Exchange earned and spent.

	<b>(Amount in Lacs)</b>	
	<b>2006-07</b>	<b>2005-06</b>
Total Foreign Exchange used (Foreign Travelling)	NIL	320764
Total Foreign Exchange earned	NIL	NIL

Date : 23<sup>rd</sup> November, 2007  
Place : Mumbai

For and on behalf of the Board of Directors,  
Ashok M. Kadakia  
Chairman



**ASHOK ALCO-CHEM LIMITED**

ANNEXURE—B

**MANAGEMENT DISCUSSION AND ANALYSIS****(a) Industry Structure and Development :**

The overall growth of the Indian Economy and higher industrial growth augur well for the future. The industrial climate is also positive for an enhanced role in the global economy. In this scenario, market for the Company's products have improved substantially and this development is expected to continue in the future.

The improvement at macro-level helped your Company to restart the industrial activity which was otherwise standstill.

**(b) Outlook :**

Organic chemical Industry in India continues to face competition within it self from petro-route vis-à-vis the alcohol route. Again the pricing of petro-route had direct relation with the movements in crude prices internationally whereas the pricing of alcohol route had effects of government policies of using alcohol in automobile fuel, molasses controls and so on.

**(c) Segment-wise Performance :**

The Company has one segment of Organic Chemicals. The period saw the Company out of activity for some part thereof. The Company faced myriads of problems including paucity of Working Capital, which had cumulative effects making it more difficult for the Company to restart activities in any of its plants. In spite of this modest attempt was made to start operations at the Company's unit.

**(d) Opportunities, Threats, Risks and concerns :**

The Organic Chemical Industry in India look forward with optimism on account of tremendous potential of using Alcohol in automobile fuel/ petrol. When implemented fully, this will give tremendous boost to the overall demand in this sector.

The uncertainties faced by the Indian economy through movements in crude prices in international market as well as changes in government policies with respect to controls on molasses prices & movements represent threats and risks to be reckoned in the Industry. The Company being a part of the Industry is affected by these threats, risks and uncertainties.

**(e) Financial Performance :**

Due to Non-availability of Credit facilities, the Company's profitability has suffered and also resulted in lower margin, this has led to low profit but, due to cost reductions efforts, the Company has achieved relatively better results.

**(f) Internal Control Systems and Adequacy:**

As stated above, during some period, the plant of the Company remained out of operations and the transactions that took place during the year were lesser. The Internal Control Systems, which were very effective earlier when the plants were working, were no longer essential. However, whatever transactions that took place were closely monitored with proper checks and controls.

**(g) Human Relations :**

There has been cordial relations in the Company during the period.

**(h) Cautionary Statement :**

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectation may be 'forward - looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand / supply, price conditions in the domestic and overseas markets in which the Company operates, changes in Government regulations, tax laws and other statutes.



**ASHOK ALCO-CHEM LIMITED**

Annexure - C

**REPORT ON CORPORATE GOVERNANCE****1. Company's Philosophy**

The Company believes in good corporate Governance in tune with the guidelines recommended by SEBI and in terms of the Listing Agreements.

Given below is the report of the Board of Directors of the Company on Corporate Governance practices being followed by the Company.

**2. Board of Directors**

The Board of Directors presently comprises of Six Directors, including one Non-Executive Chairman, one Managing Director, and a Non-Executive Promoter Director with three Independent non-executive Directors. During the year seven Board Meetings were held on 18-04-2006, 29-05-2006, 14-06-2006, 31-7-2006, 28-10-2006, 29-01-2007 and 28-04-2007

The Composition of the Board of Directors and their attendance at the Board meetings during the year and the last Annual General Meeting are as follows:

<b>Name of Directors</b>	<b>Category of Directorship</b>	<b>No. of Board Meetings attended</b>	<b>Attendance at last AGM</b>	<b>No. of other companies in which he is directors/ chairman</b>	<b>No. of Committees of other companies in which he is a member/ Chairman</b>
Ashok M. Kadakia	Chairman – Emeritus Non-Executive	7	Yes	7	-
Dr. Anil M. Kadakia	Chairman & Managing Director	7	Yes	3	--
Pankaj M. Kadakia	Promoter Non Executive Director	7	Yes	3	-
V.P.Shah	Non-Executive Independent Director	5	Yes	-	-
Dr. Umesh Kulkarni	Non-Executive Independent Director	5	No	-	-
Subramaniam Ayyar	Non-Executive Independent Director	6	Yes	-	-

None of the Directors on the Board holds the office of Director in more than 15 Companies nor are they members in Committees of the Board in more than 10 Committees or Chairman of more than 5 Committees.

None of the Non Executive Directors have any material pecuniary relationship or transactions with the Company. Necessary information as mentioned in Annexure 1A to the Clause 49 of the Listing Agreement has been placed before the Board for their consideration.

**Shareholding of Directors :** No directors hold shares in the Company in their names.

**Code of Conduct :**

The Board of Directors of the Company have adopted Code of Conduct for all Board Members and senior management of the Company. The Company has no distinct level of senior management from the Board since operations of the Company is less. The Board members have affirmed compliance to the Code of Conduct. In view of the BIFR nature of the Company and severe financial crunch, the Company has not been able to have its website to post the Code of Conduct on it.

**ASHOK ALCO-CHEM LIMITED****3. Audit Committee**

The Board has constituted Audit Committee pursuant to Section 292A of the Companies Act, 1956 read with Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited (BSE ) with the required terms of reference as per the above referred statutory requirements.

The primary objective of the Audit Committee is to monitor and effectively supervise the Company's financial reporting process with a view to provide accurate, timely and proper disclosures and the integrity and quality of the financial reporting.

The Company has an Audit committee comprising with Shri (Dr.) Umesh Kulkarni, Shri Subramaniam Ayyar, and Shri Pankaj Kadakia as the Members with Shri V.P.Shah, as the Chairman. The Committee met on 18-04-2006, 29-05-2006, 31-7-2006, 28-10-2006, 29.01.2007 and 28-04-2007 and during the year the attendance of the members at the meetings was as follows :

<b>Name of Members</b>	<b>Status</b>	<b>No. of Meetings held</b>	<b>No. of Meetings attended</b>
V.P.Shah	Chairman	6	5
Dr. Umesh Kulkarni	Member	6	3
Subramaniam Ayyar	Member	6	6
Pankaj Kadakia	Member	6	6

The Company has not denied any personnel, access to the Audit Committee of the Company and the situation has not arisen to provide protection to "whistle blowers" from unfair termination and other unfair or prejudicial employment practices.

**(4) Remunerations Committee :**

The Company has Remuneration Committee of Directors Shri Subramaniam Ayyar and Shri V.P.Shah, as the Members with Shri (Dr.) Umesh Kulkarni, as the Chairman., however no meeting was held during the year under review.

The Remuneration Committee has been constituted to recommend /review remuneration of the Executive Director based on their performance and defined assessment criteria.

Remuneration Policy of the Company is directed towards rewarding performance, based on the review of achievements. The Remuneration policy is in consonance with the existing Industry practice.

The remuneration of Executive Chairman & Managing Director is approved by the Board within the overall limit fixed under the law. No other Directors are being paid remuneration including sitting fees for meeting attended by independent Directors, in view of weak financial position.

The aggregate value of salary and perquisites for the year ended 30<sup>th</sup> June, 2007 paid to Shri ( Dr.) Anil Kadakia Managing Director was paid Rs.15,00,000/- as Salary.

No sitting fees was paid to Non-Executive Directors during the year 2006-2007.

As of now, the Company does not have any employee stock option plan..

There were no other pecuniary relationship or transactions of the Non Executive Director vis-à-vis the Company. The Company has not granted any stock option to any of its Directors.

**5. Shareholders'/Investors' Committee :**

The Board has Shareholders'/Investors' Committee, comprising of Shri V.P.Shah and (Dr.) Umesh Kulkarni as the Members with Shri Subramaniam Ayyar as the Chairman. The Board has appointed Shri Vibhaker Parikh, as the Compliance Officer.

The Committee, inter alia, oversees and reviews all matters connected with the securities and looks into shareholders complaints like transfer of shares, non receipt of balance sheet, registration of change of address etc. The Committee oversees the performance and the working of M/s. Intime Spectrum Registry Ltd., the Registrar & Transfer Agent and of the Secretarial Department and recommends measures for overall improvement in the quality of Investor services.