

**16<sup>TH</sup>**  
**ANNUAL REPORT**  
**2007-2008**



**ASHOK ALCO-CHEM LIMITED**

**ASHOK ALCO-CHEM LIMITED**

**BOARD OF DIRECTORS** : ASHOK M. KADAKIA Chairman  
PANKAJ M. KADAKIA Vice Chairman  
DR. ANIL M. KADAKIA Managing Director  
VIPIN P. SHAH Independent Director  
DR. UMESH S. KULKARNI Independent Director  
SUBRAMANIAM AYYAR Independent Director  
SHYAM P. KADAKIA Director

**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,  
V. Thakersey Marg, Mumbai - 400 020  
Tel. Nos. : 22002236, Fax No.: 22009456  
E-mail : anmk06@rediffmail.com  
Internet : <http://www.kadakiagroup.com>

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

**REGISTRAR AND 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](mailto:isrl@vsnl.com)

## ASHOK ALCO-CHEM LIMITED

### NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of **Ashok Alco-Chem Limited** will be held on Tuesday, the 30th September, 2008 at 10.30 a.m. at Sharda Chambers Hall, 8<sup>th</sup> Floor, Sharda Chambers, 33 New Marine Lines, Mumbai - 400 020, to transact the following business.

#### Ordinary Business :

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31<sup>st</sup> March 2008, Balance sheet as of that date together with Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Vipin P. Shah, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors in place of retiring Auditors and fix their Remuneration.

#### Special Business :

4. To consider and if thought fit, to pass, with or without modifications, the following as an Ordinary Resolution.  
 "RESOLVED THAT pursuant to the provisions of Section 16, 94 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force) and subject to such approvals and permissions of appropriate authorities, as may be necessary, the Authorised Share Capital of the Company be increased from Rs.7,00,00,000 (Rupees Seven Crores) divided into 50,00,000 (Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten) each and 20,00,000 (Twenty Lacs) 11% Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten) each, to Rs. 18,00,00,000 (Rupees Eighteen Crores) divided into 50,00,000 (Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten) each and 1,30,00,000 (One Crore Thirty Lacs) Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten) each".

"RESOLVED FURTHER THAT the First Eight Lines of Clause -V of Memorandum of Association of the Company be and is hereby altered by substituting the following sentences:

- "V. The Authorised Share Capital of the Company is Rs.18,00,00,000 (Rupees Eighteen Crores) divided into 50,00,000 (Fifty Lacs) Equity Shares of Rs.10 (Rupees Ten) each and 1,30,00,000, (One Crore Thirty Lacs) Cumulative, Redeemable Preference Shares of Rs.10 (Rupees Ten) each, with the rights, privileges and conditions attached thereto by the Articles of Association of the Company for the time being...."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions and delegate such authorities, as it may in its absolute discretion, deem appropriate including settling any question that may arise in this regards."

5. To consider and if thought fit, to pass, with or without modifications, the following as a Special Resolution.  
 "RESOLVED THAT pursuant to the provisions of Section 31 and all other provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to such approvals and permissions of appropriate authorities, as may be necessary, Article 3 of the Articles of Association of the Company be and is hereby substituted by the following :  
 "3. The Authorised Share Capital of the Company is 18,00,00,000 (Rupees Eighteen Crores) divided into 50,00,000 (Fifty Lacs) Equity Shares of Rs.10 (Rupees Ten) each and 1,30,00,000, (One Crore Thirty Lacs) Cumulative, Redeemable Preference Shares of Rs.10 (Rupees Ten), each".

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions and delegate such authorities, as it may in its absolute discretion, deem appropriate including settling any question that may arise in this regards."

6. To consider and if thought fit, to pass, with or without modifications, the following as a Special Resolution.  
 "RESOLVED THAT pursuant to Sections 81, 81(1A) and other applicable provisions, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to such approvals, permissions, consents and sanctions, as may be necessary from the Government of India (GOI), Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and / or any other competent authorities and enabling provisions of the Memorandum and Articles of Associations of the Company, the Listing Agreements entered in to by the Company with the Bombay Stock Exchange Ltd., where the shares of the Company are listed and in accordance with the issue of Foreign Currency, Convertible Warrants and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, the Guidelines, Rules, Regulations issued by the GOI, RBI, SEBI and / or any other competent authorities and clarifications thereon, issued from time to time and subject to all such other approvals, permissions, consents and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions consents and sanctions which may be agreed to by the Board of Directors of the Company (which term shall include any Committee constituted / to be constituted by the Board for exercising the powers conferred on the Board by this Resolution), Consent of the Company, be and is hereby accorded to the Board to create, offer, issue and allot, from time to time, in one or more tranches, whether within India or outside India, with or without premium, whether Rupee denominated or denominated in any foreign currency, such number of Equity and/or Preference Shares (Cumulative or Non-Cumulative, Redeemable or Non - Redeemable) and / or Foreign Currency Convertible Bonds (FCCBs) and / or Fully / Partially Convertible Bonds / Loans or Non Convertible

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Debentures / Bonds and / or Global Depository Receipts (GDRs) and / or American Depository Receipts (ADRs) and / or Qualified Institutional Placements (QIPs) and / or any other equity and / or preference or equity related instrument / security and other instruments, securities in the nature of Shares / Bonds and / or warrants with or without convertible in to equity shares at the option of the Company and / or the holder/s of such securities, and / or securities linked to equity shares and / or securities with or without detachable / non- detachable warrants with a right exercisable by the warrant-holder to subscribe for the equity shares and / or warrants with an option exercisable by the Warrant holders to subscribe for equity shares, and / or any instrument or securities representing either equity shares and / or convertible bonds in the Indian / domestic market, up to Rs 25,00,00,000 (Rupees Twenty Five Crores) to Indian or Foreign Investors (whether Banks, institutions, incorporated bodies, Mutual funds and / or Individuals, or otherwise and whether or not such Investors are members of the Company), members, employees, secured creditors, non-resident Indians, Foreign institutional Investors (FIIs), Qualified Institutional Buyers (QIBs), Companies, Mutual Funds, Banks, Indian/Foreign Financial Institutions, other entity(ies) and such other persons through public issue(s), private placement(s), preferential allotment, right issue, qualified institutional placements, exchange of securities, issue of shares under ESOP Plan, Conversion of loan or otherwise in the course of offerings in Indian and/or International Market or in any other manner or a combination thereof at such time or times, at such price or prices, at a discount or at par to or at a premium to market price or prices in such manner and on such terms and conditions including security, rate of interest, Dividend etc. as may be decided and deemed appropriate by the Board at the time of such issue, offer or allotment considering the prevailing market conditions and other relevant factors, wherever necessary in constitution with the lead managers, and/or underwriters and/or other advisors to the extent and in the manner as may be decided by the Board in this behalf."

"RESOLVED FURTHER THAT in event of securities are issued under Chapter XIII A of SEBI DIP Guidelines, the Relevant Date' for the purpose of pricing of the securities shall be 30 days prior to the date on which the Special Resolution in terms of Section 81(1A) of the Companies Act, 1956 approving the proposed issue of securities is passed in the general meeting i.e. September 30, 2008 and that such securities shall be issued and allotted at their face value on condition that such allottee/s shall be required to pay to the Company, the difference of issue price as arrived at, on computation in accordance with the clause 13.1.1.2b of SEBI Guidelines for Preferential Issues, if such issue price comes higher than the face value of such securities."

"RESOLVED FURTHER THAT without prejudice to the generality of the above, the Financial Instruments may have all or any term of combination of terms in accordance with prevalent market practice including but not limited to terms and conditions relating to payment of interest, dividend, premium or redemption at the option of the Company and/or holder of any securities, including terms for issue / offer of additional equity shares or variations of the price or period of conversion of securities into equity shares or issue / offer of equity shares during the period of the securities or terms pertaining to voting rights or option(s) for early redemption of securities and to provide for the tradability or free transferability thereof as per the prevailing practices and regulations in the capital markets. For the purpose of giving effect to the above, the Board be and is hereby authorised to determine the form, terms and timing of the issue (s) / offer(s), including the class of investors, to whom the securities are to be allotted, number of securities to be allotted in each tranche, issue / offer price, face value, premium amount on issue / conversion of securities / exercise of warrants / redemption of securities, rate of interest, redemption period, listings on one or more Stock Exchanges in India and/or overseas as the Board in its absolute discretion deems fit and to make and accept any modification in the proposal as may be required by the authorities involved in such issues / offers in India and/or overseas as the Board in its absolute discretion deems fit and to make and accept any modification in the proposal as may be required by the authorities involved in such issues/ offers in India and/or overseas, to do all acts, deeds, matters and things as may be necessary and to settle any questions or difficulties that may arise in regard to the issue(s) / offer(s) and the Board is hereby authorised in its absolute discretion in such a manner as it may deem fit, to dispose of such of the Financial Instruments as are not subscribed."

"RESOLVED FURTHER THAT the Board, be and is hereby authorised to make appointments as may be required of Managers(including Lead Managers), Merchant Bankers, Underwriters, Guarantors, Financial and/or Legal Advisors, Depositories, Custodians, Principal Paying / Transfer / Conversion Agents, Listing Agents, Registrars, Trustees and all other agencies, whether in India or Overseas and to enter into and execute all such arrangement(s) / agreements with any such Managers (including Lead Managers) / Merchant Bankers/ Underwriters / Guarantors / Depositories / Custodians / Legal Advisors / Principal Paying / Transfer / Conversion Agents, Listing Agents, Registrars, Trustees and all such agents or body as may be involved or concerned in such agents including by way of payment of commission, brokerage, fees, expenses incurred in relation to the issue / offer of securities and other expenses, if any."

"RESOLVED FURTHER THAT the preliminary as well as the final Offer Document for the aforesaid issue / offer be finalised, approved and signed by the Directors of the Board for and on behalf of the Company with authority to amend, vary, modify the same as may be considered desirable or expedient and for the purpose aforesaid to give such declarations, affidavits, undertakings, certificates, consents, authorities as may be necessary and required from time to time."

"RESOLVED FURTHER THAT the Financial Instruments to be so offered, issued and allotted shall be subject to the provisions of the the Memorandum and Articles of Association of the Company."



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"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of equity shares as may be required to be issued upon conversion of the financial instruments or exercise of options as may be necessary in accordance with the terms of the offer aforesaid, subject to the provisions of the Company's Articles of Association

~~"RESOLVED FURTHER THAT for the purpose of giving effect to the provisions of the Company's Articles of Association~~  
all such acts, deeds, matters and things and resolve any doubts or questions that may arise in the issue and allotment of the financial instruments and / or fresh shares, to effect any modification to the foregoing in the best interest of the Company and its shareholders and to execute all such writings and instruments as the Board may in its absolute discretion deemed necessary or desirable."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers to any Committee of Directors or Managing Director or any Director(s) or Officer(s) of the Company to give effect to the afore said Resolution."

7. To consider and if thought fit, to pass, with or without modification(s), the following as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 3(9, 310, 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications, or reenactment thereof, for the time being in force), the Consent of the Company, be and is hereby accorded for the re-appointment of Dr. Anil M. Kadakia as the Managing Director of the Company, for a period of 3 years from 03.04.2003 to 02.04.2011 on the terms and conditions including remuneration as are set out in the Agreement entered into between the Company and Dr. Anil M. Kadakia, a copy whereof is placed before the Meeting which is hereby specifically approved with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary the terms and conditions of the said appointment and/or remuneration and /or draft of the agreement subject to the same not exceeding the limits set out in the said Schedule XIII to the Companies Act, 1956 including any statutory modification or reenactment thereof for the time being in force or as may hereafter be made by the Central Government in that behalf, from time to time or any amendments thereto as may be agreed to by the Board and Dr. Anil M. Kadakia."

"FURTHER RESOLVED THAT in the event of inadequacy or absence of profits in any financial year, Dr. Anil M. Kadakia, the Managing Director, be paid remuneration as Minimum Remuneration, subject to the ceiling as prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this resolution."

8. To consider the erosion of more than 50% of the Company's peak net-worth during the immediately preceding four financial years pursuant to the provisions of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985.

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

**Place : Mumbai**  
**Date : 30<sup>th</sup> August, 2008**

**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 Company has received a Special Notice under Section 284 from a Shareholder holding 10 shares, on 22<sup>nd</sup> August, 2008, for removal of the Director of the Company . Since the said Shareholder does not qualify as per the conditions prescribed under Section 188 of the Companies Act, 1956, for circulation a resolution to members, no effect of the said Special Notice has been given in this Notice convening the Meeting.***
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 27th September, 2008 to Tuesday, the 30th September, 2008 (both days inclusive)
5. 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.
6. **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.**
7. 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.

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### 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 Vipin P. Shah
Date of Birth	:	01.08.1934
Date of Appointment	:	07.10.1993
Specialised Expertise	:	Legal, Secretarial and Corporate Laws
Qualifications	:	B.A., M.Com, LL.B, N.I.M.A., F.C.S., A.C.I.S. (London)
Directorships of others Companies as on 31 <sup>st</sup> March, 2008	:	NIL
Chairman/ Member of Committees of Companies	:	Chairman of Audit and Remuneration Committees and Member of Share holders' Grievance Committee of Ashok Alco-chem Ltd.

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

#### Item No. 4 & 5

The present Authorised Share Capital of the Company is Rs.7,00,00,000 (Rupees Seven Crores) divided into 50,00,000 (Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten) each and 20,00,000 (Twenty Lacs) 11% Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten) each. It is proposed to increase the Authorised Share Capital Rs. 18,00,00,000 (Rupees Eighteen Crores) divided into 50,00,000 (Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten) each and 1,30,00,000 (One Crore Thirty Lacs) Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten) each, to enable the Company to issue and allot further Equity / Preference shares. The alteration of Clause V of the Memorandum of Association and Article 3 of the Articles of Association, as proposed in the resolutions at Item No.4 and 5 of the accompanying Notice are purely consequential to give effect to the above changes in the Memorandum and Articles of Association of the Company.

Your Directors therefore recommend the said resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

#### Item No. 6 :

The Company needs to raise fund for normal capital expenditure, expansions, working capital requirement and for general business purposes. The Board of Directors have proposed that it would be necessary to the Company to raise funds not exceeding Rs.25,00,00,000/- (Rupees Twenty Five Crores Only) in the manner set out in the Resolution. The Resolution is an enabling resolution conferring authority on the Board to do all the acts and deeds which may be required to issue / offers securities of appropriate nature at an opportune time, including the size, structure, price and timing of the issue / offer at the appropriate time (s). The detailed terms and conditions for the International and / or domestic offering will be determined in consultation with the Lead Managers, Consultants, Advisors, Underwriters and/or other such intermediaries as may be appointed for the issue / offer. Wherever necessary and applicable, the pricing of the issue / offer will be finalised in the accordance with the applicable guidelines in force of the Government of India, RBI, SEBI and other relevant authorities. Since the pricing of the Offering can be decided only at a later stage, it is not possible to state the price or the exact number of securities or instruments to be raised.

Section 81 of the Companies Act, 1956 and the Listing Agreement entered into with the Bombay Stock Exchange Ltd. provide interalia, that whenever it is proposed to increase the subscribed capital of Company by further issue / offer and allotment of shares, such shares shall be offered to existing shareholders of the Company in the manner laid down in the Section, unless the shareholders decide otherwise in the General Meeting. Accordingly, the consent of the Shareholders is being sought pursuant to the provisions of Section 81(1A) and all other provisions of the Companies Act, 1956 and in terms of the provision of the Listing Agreements executed by the Company with the Bombay Stock Exchange Ltd. authorizing the Board to issue securities, as stated in the Resolution which would result in issuance of further securities of the Company to persons other than existing members of the Company in accordance with the terms and nature of the securities.

The Resolution in the accompanying Notice being proposed as a Special Resolution is essentially an enabling one relates and relates to a proposal to create, issue, offer and allot equity shares / preference shares / depository receipts / foreign currency convertible bonds and / or other appropriate securities upto and amount not exceeding Rs.25 Crores inclusive of premium in the course of domestic / international offerings. Such securities are proposed to be issue to any eligible persons including but not limited to resident investors and foreign investors (whether individual, mutual funds, incorporated bodies, banks, financial institutions, or otherwise) foreign financial institutions, secured creditors or qualified institutional buyers etc.

The Special Resolution also seeks to empower the Board of Directors to undertake a qualified institutional placement with qualified institutional buyer as defined by SEBI DIP Guidelines. The Board of Directors may in its discretion adopt this

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mechanism as prescribed under chapter XIII A of SEBI DIP Guidelines without the need for fresh approvals from the Shareholders.

The 'Relevant Date' for the purpose of determination of minimum price as per Chapter XIII A of the SEBI DIP Guidelines for issue of Securities, shall be 30 days prior to the date on which the shareholders Resolution in terms of Section 81(1A) of the Companies Act, 1956 approving the proposed issue of securities is passed i.e. August 30, 2008. Equity shares proposed to be issued shall be priced at its face value of Rs. 10/- each at par with an agreement that propose allottee/s shall pay to the Company difference of share price as arrived on computation of price in accordance with clause 13.1.1.2b of SEBI Guidelines of Preferential Issues, in view of non-availability of quoted share price due to temporary suspension in trading of shares imposed by BSE.

Your Directors commend the resolution for your approval as a Special Resolution.

None of the Directors of the Company is in any way concerned or interested in the proposed Resolution at Item No.6 except to the extent of their holding of Equity Shares in the Company and / or of their relatives and/or Companies / Concerns in which they may be interested.

### Item No.7 :

Dr. Anil M. Kadakia is M.B.B.S. with Diploma in Anesthesiology from Bombay University with 15 Years of rich, wide and varied experience in the Chemical Industry. He has been associated with the Company in the capacity of the Director from its inception and serving as Managing Director with effect from 1st August, 2000. Considering his rich experience and valuable contributions provided and for future utility of his service to the Company, the Board of Directors, at their meeting held on 3<sup>rd</sup> April, 2008, on the recommendation of Remuneration Committee, have re-appointed Dr. Anil M. Kadakia as the Managing Director for a period of 3 years, upon the terms and condition enumerated in the Agreement, in terms of Section 269, 314 and other applicable provisions of the Companies Act, 1956, subject to the approval of the Shareholders.

Agreement entered into between Dr. Anil M. Kadakia and the Company, inter alia, provides following main term and conditions:

- 1) **Tenure** : 3 years from 03.04.2008
- 2) **Remuneration** : Salary Rs 1,50,000 per month.
- II. **Perquisites** : The Managing Director will also be entitled to the perquisite mentioned below:

#### Category A :

- i. **Provident Fund** : Company's Contribution to Provident Fund, shall be as per the Rules of the Company.
- ii. **Gratuity** : As per the Rules of the Company.
- iii. **Leave encashment** : At the end of the tenure, as per the Rules of the Company.

However, Company's contribution to Provident Fund and amount of leave encashment will not be included in the Computation of perquisites.

#### Category - B: Other allowances:

- i. Provision of chauffeur driven car for Company's business will not be considered as perquisite. Use of car for private purpose shall be billed by the Company.
- ii. Provision of Telephone at residence of the Managing Director and a Mobile Phone for his use, are not to be considered as perquisites. Personal long distance calls on telephone shall be billed by the Company.
- iii. Entitlement of to Annul Privilege leave on full salary for 30 days allowed to be accumulated upto 90 days.
- iv. Reimbursement of entertainment expenses actually and properly incurred by him in the course of legitimate business of the Company and traveling, hotel & other expenses incurred by the Managing Director in India and abroad exclusively on the business of the Company in accordance with its rules and regulations, from time to time.
- v. No payment of sitting fees will be paid to the Managing Director, for attending of Meetings of the Board of Directors or Committee thereof.
- vi. In the event of no profit or inadequacy of profits, the Company shall pay the aforesaid remuneration by way of Salary and perquisites as minimum remuneration.

### 3) Other Terms and Conditions:

- i. The Company shall be entitled to forthwith terminate the agreement if the Managing Director becomes insolvent or makes any composition or arrangement with creditors or he ceases to be a Director of the Company.

Notwithstanding anything to the contrary contained therein, the Agreement, at anytime, shall be terminated by either party giving 30 days' notice in writing to that effect, to the other party.

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- ii. The terms and conditions including the remuneration payable to the Managing Director of the said appointment and/or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit.

Considering his rich, wide and varied experiences and business accumen, the Board hopes that his association as Managing Director, will immensely benefit, the Company, in future time to come.

Explanatory Statement together with the accompanying Notice shall be treated as an abstract of the terms of agreement and Memorandum of Concern or Interest under Section 302 of the Companies Act, 1956.

The agreement between the Company and Dr. Anil M. Kadakia is available for inspection by the members of the Company at its Registered Office between 3.00 p.m. and 5.00 p.m. on any working day of the Company.

None of the Directors except Dr. Anil M. Kadakia himself and Shri Ashok Kadakia, Shri Pankaj Kadakia and Shri Shyam Kadakia, being relatives, are concerned or interested in the said resolutions.

The Board recommends the resolution for adoption.

### Item No. 8

**Report of the Board of Directors under section 23(1) (a) of the Sick Industrial Companies (Special Provisions) Act, 1985 regarding erosion of more than 50% of the peak net-worth of the Company and causes of such erosion.**

The Section 23(1)(a) of the Sick Industrial Companies (Special Provisions) Act, 1985 (the said Act) provides that in case at the end of any financial year, accumulated losses of the Industrial Company have resulted in erosion of 50% or more of its peak net-worth, during immediately preceding four financial years, then the Company should, within a period of 60 days, from the date of finalization of the duly audited accounts of the said financial year i.e. after the date of Annual General Meeting which is to be held on 30<sup>th</sup> September 2008, (i) report the fact of such erosion to the Board for Industrial and Financial Reconstruction (BIFR) and (ii) hold a General Meeting of the shareholders of the Company for considering such erosion in its net-worth.

The Board of Directors is also required to forward to every member of the Company a report as to such erosion and causes therefore, 21 days before the date on which said General Meeting is to be held. Accordingly, the following report is being submitted:

The Company has been registered with Board of Industrial Financial Reconstruction (BIFR) under 291/2003 as Sick Industrial Company under Sick Industrial Companies (Special Provisions) Act, 1985 on having its entire Net worth eroded as of 31<sup>st</sup> March, 2003. As of 31.03.2008, accumulated losses stand at Rs.1505 lakhs which is more than 50% of its peak Net Worth during immediately preceding Four Financial years. Consequently, the Company has become Potentially Sick Company, from Sick Industrial Company, with erosion of its Net Worth by more than 50% of peak Net-Worth.

The following factors have been mainly responsible for incurring losses:

- i. Non remunerative prices got on sale of finished products due to market volatility;
- ii. High cost of Raw Materials and Inputs due to inflationary and recessionary trend;
- iii. Lack of Working Capital Finance and inability of Promoters to bring in fresh fund;
- iv. Under utilization of Plant Capacity.
- v. Increase in the Man Power and Maintenance Cost due to increase in cost of living index.
- vi. Accumulation of huge liability with no steady generation of Income to repay financial obligation.

The Board of Directors of the Company is in process of undertaking several steps for reducing its losses and generation of steady Income as under

Steps taken for revival:

- i. Infusion of Long Term Capital Finance for meeting capital expenditure and working capital;
- ii. Undertaking of Modernization cum Expansion work with a purpose to adopt better Technology to reduce Operational Cost with increase of qualitative output;
- iii. Exercise of stricter Control on Overheads and other Expenses;
- iv. Thrust on better Resource Management and effective Technical and Commercial Management.

Measures initiated, are expected to have positive impact on the working of the Company.

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

**Place : Mumbai  
Date : 30<sup>th</sup> August, 2008**

**Ashok M. Kadakia  
Chairman**



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

To,  
The Members  
Ashok Alco-Chem Limited

Your Directors submit their 16<sup>th</sup> Annual Report together with the Statement of Account for the year ended on 31st March, 2008. Following figures summaries the financial performance of the Company for the year under review.

**1. Financial Results :****Financial Highlights****(Rs. In Lacs)**

	<b>31<sup>st</sup> March, 2008 (9 Months)</b>	<b>30<sup>th</sup> June, 2007 (15 Months)</b>
<b>Turnover</b> (net of excise and sales tax) and Other Income	<b>1559</b>	2546
<b>Profit before Interest, Depreciation and Tax</b>	<b>156</b>	617
Less : Interest	<b>4</b>	231
Depreciation	<b>84</b>	141
F B T and Deferred Tax	<b>23</b>	181
Add : Prior period adjustment	<b>6</b>	21
<b>Net Profit / (Loss) for the Year</b>	<b>(51)</b>	85
Balance in Profit & Loss Account	<b>(1454)</b>	(1738)
Transfer from Debenture Redemption Reserve	-	200
Balance Available for Appropriation	<b>(1505)</b>	(1454)

**2. Dividend :**

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

**3. Operation in Retrospect :**

During the Financial Year ended 31st March, 2008 comprising of 9 months, the Company could generate Gross Income of Rs.1559 lacs with Net Loss of Rs.51 lacs as against Gross Income of Rs.2546 lacs with Net Profit of Rs.85 lacs of previous year ended 30th June, 2007, comprising of 15 months. The performance are not comparable in absolute terms as both the financial years are comprising of different periods.

The Company produced 4899 MT of Glacial Acetic Acid which is increased by 11% compared to past year whereas it suspended production of Ethyl Acetate for part of the year, due to non availability of adequate power and raw materials at reasonable price. Non-availability of Working Capital Facility and non remunerative Selling price of Products, had adversely affected to the Company's endeavors to run its plants at its optimum capacity.

The Company has entered in to One Time Settlement, with S I C O M Ltd., the Secured Creditors, for due repayment of outstanding financial liabilities. Various endeavors are being made to honour the commitment made by the Company to S I C O M Ltd.

**4. Directors' Responsibility Statement :**

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

- In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- 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., March 31, 2008 and of the Loss of the Company for the year ended on that date;
- 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;
- they have prepared the annual accounts on a going concern basis.

**5. Directorate :**

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

## ASHOK ALCO-CHEM LIMITED

### 6. 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.

### 7. Comments on qualification made in Auditors' Report :

With reference to observation made by the Statutory Auditors in their Report, your Directors wishes to state as under :

- (i) **Disqualification of Directors:** Owing to non payment of redemption of Debentures on due date by the Company, the Directors of the Company became disqualified, however, since the payments have already been made, the disqualification would cease to be applicable on completion of Five Years by 29th September, 2008.
- (ii) **Point No. 6 :** The Company would release the charges on its asset upon receipt of no due certificates from Dena Bank.
- (iii) **Point No.11 & 12 :** Auditors' remarks are reported as statement of facts and are self explanatory and do not call for further explanation..

### 8. Statutory 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 thereon, is annexed to this Report.

### 9. Corporate Governance :

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

### 10. Auditors :

M/s. N.P. Patwa & Company, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting, however do not offer for re-appointment, due to their pre-occupation.

The Company has received a certificate under Section 224 (1-B) of the Companies Act, 1956 from M/s R.S. Kuwadia & Co. the Chartered Accountant that if they will be appointed as the Statutory Auditors of the Company, it would be well within the ceiling prescribed under Section 224(1-B) of the Companies Act, 1956.

Members are requested to consider their appointment as the Statutory Auditors of the Company in place of retiring Auditors, for the current financial year and fix their remuneration.

### 11. 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.

### 12. Insurance :

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

### 13. Special Notice received from a Shareholder:

The Company has received a Special Notice under Section 284 from a Shareholder holding 10 equity Shares, on 22<sup>nd</sup> August, 2008, for removal of a Director of the Company. Since the shareholder does not qualify as per the conditions prescribed under Section 188 of the Companies Act, 1956 for circulation a resolution to members, no effect of the said Special Notice has therefore, been given in this Notice convening the Meeting. Past details relating to the Company, as required by him, have been furnished.

### 14. Employees :

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

### 15. 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,

Date : 30<sup>th</sup> August, 2008  
Place : Mumbai

Ashok M. Kadakia  
Chairman