

Annual Report

2003-2004



H. K. FINECHEM LIMITED

ANNUAL REPORT 2003-2004

REGISTERED OFFICE :

201, Aniket, C. G. Road,
Navrangpura,
AHMEDABAD - 380 009.

Phone : (079) 2646 8752, 2640 2429

Fax : (079) 2646 0910

BOARD OF DIRECTORS

SHRI RAJAN R. HARIVALLABHDAS

Chairman & Managing Director

SHRI SHYAM B. GHIA

SHRI CHINUBHAI R. SHAH

SHRI NAHOOSH J. JARIWALA

Executive Director

SHRI PRAFULL ANUBHAI

SHRI JANAK G. NANAVATY

SHRI VISHNU VARSHNEY

(Nominee of GVFL Ltd.)

DR. HIMANSHU C. PATEL

(w.e.f. May 5, 2004)

AUDITORS :

M/S. C. C. CHOKSHI & CO.,

Chartered Accountants,
Ahmedabad.

BANKERS :

Bank of Baroda

General Manager (Finance)
& Company Secretary :

RAJEN N. JHAVERI

SHARE REGISTRARS :

Pinnacle Shares Registry Pvt. Ltd.
Near Ashoka Mills,
Naroda Road,
Ahmedabad - 380 025.

WORKS :

253/P, Chekhala,
Sanand-Kadi Highway,
Ta. Sanand,
Dist. AHMEDABAD - 382 145.

Phone : (02717) 222617-18-19

Fax : (02717) 222616



H. K. FINECHEM LIMITED

NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Members of **H. K. FINECHEM LIMITED** will be held at Ahmedabad Textile Mills' Association's Hall, Ashram Road, Navrangpura, Ahmedabad - 380 009 on Thursday, September 16, 2004 at 4.00 p.m. to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the Profit & Loss account for the year ended 31st March, 2004, the Balance Sheet as at that date and the Reports of the Board of Directors and the Auditors thereon.
2. To declare a dividend on 14% Cumulative Redeemable Preference Shares.
3. To appoint a Director in place of Shri Shyam B. Ghia who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Vishnu Varshney who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company for the period commencing from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business :

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Dr. Himanshu C. Patel who was appointed as an additional Director by the Board of Directors of the Company on May 5, 2004 and who holds office upto the date of ensuing Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a Member proposing the candidature of Dr. Himanshu C. Patel for the Office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Ahmedabad
June 26, 2004

Registered Office :
201, Aniket, C. G. Road,
Navrangpura,
Ahmedabad - 380 009.

By Order of the Board
Rajen N. Jhaveri
General Manager (Finance)
& Company Secretary

ANNUAL REPORT 2003-2004**NOTES :**

1. 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 OF THE COMPANY.
2. The relative Explanatory Statement, pursuant to section 173 of the Companies Act, 1956, in respect of the business under Item No. 6 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 23rd July, 2004 to Thursday, 29th July, 2004, both days inclusive.
4. The document / paper referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.

ITEM No. 6 :

Dr. Himanshu C. Patel was appointed on the Board of Directors of the Company as an additional Director with effect from May 5, 2004. Pursuant to Section 260 of the Companies Act, 1956 Dr. Himanshu C. Patel will hold office as Additional director upto the date of this Annual General Meeting. The Company has received a notice in writing from a member proposing his candidature for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Dr. Himanshu C. Patel is an Engineering graduate and holds M.S. and Ph.D. degree. At present he is Managing Director of Denis Chem Lab Limited.

Dr. Himanshu C. Patel is deemed to be concerned or interested in the Resolution set out at Item No. 6 of the notice as it pertains to his appointment. None of the other Directors of the Company is, in any way, concerned or interested in the said resolution.

Ahmedabad
June 26, 2004

Registered Office :
201, Aniket, C. G. Road,
Navrangpura,
Ahmedabad - 380 009.

By Order of the Board
Rajen N. Jhaveri
General Manager (Finance)
& Company Secretary



DIRECTORS' REPORT

To,
The Members,

Your Directors present the Nineteenth Annual Report together with the audited accounts for the year ended March 31, 2004.

FINANCIAL RESULTS :

(Rupees in Lakhs)

	Year ended on 31-03-2004	Year ended on 31-03-2003
Income	1974.55	1779.81
Operating Profit	296.91	207.03
Less : Depreciation	112.31	108.52
Profit before tax	184.60	98.51
Less : Provision for taxation		
- Current Tax	14.50	8.00
- Deferred Tax	65.63	35.34
Net Profit after Tax	104.47	55.17

DIVIDEND :

Your Directors recommend for your approval dividend on 14.00 % Redeemable Cumulative Preference Shares @ Rs. 14.00 per preference share for the year 2003-2004.

To conserve the resources to meet its agreed term repayment liabilities, proposal to redeem high cost 14% Redeemable Preference Shares and margin for proposed capital expenditure programme for energy saving etc., your Directors do not recommend any dividend on Equity Shares.

OPERATIONS :

(A) SALES AND PROFIT :

The sales and other income of the Company during 2003-04 were higher at Rs. 1974.55 lacs compared to Rs. 1779.81 lacs of previous year. This was mainly due to (1) better per unit realisation in the export products and (2) increase in the quantity of sales.

The higher realisation in export products was mainly responsible in increasing the operating and net profits of the Company during the year.

(B) TECHNICAL ACHIEVEMENT :

During the year, the Company carried out laboratory trials of further concentration of Tocopherols. The lab. sample has been approved by a foreign buyer and Company is taking required steps to implement the same during the next financial year.

Dimer Acid which was developed 'In-house' by the Company and introduced in the market in the 2nd half of 2001, is well accepted by the users and Company is now one of the major suppliers of Dimer Acid alongwith imported Dimer of multinational foreign companies.

(C) RAW MATERIAL :

The Company was able to procure the required raw materials mainly from India and partly by import from abroad.

(D) EXPORT :

The Company has now 2 export streams viz. Tocopherols and Sterols which it exports to Japan and U.S. based Companies.

ANNUAL REPORT 2003-2004**DIRECTORS :**

Dr. Himanshu C. Patel was appointed as a Director with effect from 5th May, 2004. He holds office until the conclusion of this Annual General Meeting and is eligible for appointment. The Company has received a notice from a Member proposing his appointment as a Director, subject to retirement by rotation.

Shri Shyam B. Ghia and Shri Vishnu Varshney retire by rotation and being eligible offer themselves for re-appointment. The relevant resolutions relating to these appointments forming part of the Notice of the Annual General Meeting are placed for your approval. Brief particulars of the Directors retiring by rotation and names of companies in which they hold directorship and the membership / chairmanship of committees of the Board, as stipulated under clause 49 of the Listing Agreement, are given in the section on Corporate Governance Report.

PERSONNEL :

All the employees have worked with zeal and enthusiasm and your Directors wish to express their sincere appreciation to all the employees for their support, co-operation and dedicated services.

PARTICULARS OF EMPLOYEES :

There was no employee drawing an annual salary of Rs. 24.00 lacs or more where employed for full year or monthly salary of Rs.2,00,000/- or more where employed for part of the year and therefore, no information pursuant to the provisions of sub-section (2A) of Section 217 of The Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975 is required to be given.

Information as per Section 217(1)(e) read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 :

A. Conservation of Energy**(a) Energy Conservation measures taken :**

During the year, internal review of power and steam consumption was carried out.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of Energy :

The Company is considering to invest in Dry pumps in place of steam ejectors to save on steam cost and coal / lignite based Thermic Fluid heating instead of costlier Furnace Oil fired heaters.

(c) Impact of measures listed in (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods :

The measures mentioned in (a) and (b) above would result in the savings in the consumption of fuel and power.

(d) Total energy consumption per unit of production as per prescribed Form 'A' :

As per annexure attached.

B. Technology Absorption

The Company maintained quality of all its products.

C. Foreign Exchange Earnings and outgo

Foreign Exchange Earnings Rs. 5,27,52,572/-

Foreign exchange utilised Rs. 1,50,61,804/-

**DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to the requirement of Section 217 (2AA) of the Companies Act with respect to Directors' Responsibility Statement, the Directors hereby confirm :

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements 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, 2004 and of the profit of the Company for that period ;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

AUDIT COMMITTEE :

The Audit Committee constituted by the Board of Directors pursuant to the requirement under section 292A of the Companies Act, 1956 consists of following three independent Directors. During the year, Shri Chinubhai R. Shah resigned as the Chairman and Shri Prafull Anubhai was appointed as the Chairman in his place.

- (1) Shri Prafull Anubhai Chairman
- (2) Shri Chinubhai R. Shah Member
- (3) Shri Vishnu Varshney Member

CORPORATE GOVERNANCE :

A Report on the Corporate Governance Code along with a certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreements as also the Management Discussion and Analysis Report are annexed to this Report.

FIXED DEPOSITS :

The Company continued to accept the deposits which was started last year. As on March 31, 2004, public deposits stood at Rs. 58.45 lacs. There were no overdue or unclaimed deposits as at March 31, 2004.

AUDITORS :

The term of M/s. C. C. Chokshi & Co., Chartered Accountants, Ahmedabad as Auditors, expires at the conclusion of this Annual General Meeting and they are eligible for re-appointment. The Auditors have given a certificate to the effect that the re-appointment, if made, will be within the prescribed limits specified under Section 224 (1-B) of the Companies Act, 1956.

ACKNOWLEDGMENTS :

The Directors place on record their sincere appreciation for the co-operation and assistance received from Bank of Baroda.

Ahmedabad
June 26, 2004

For and on behalf of the Board,
Rajan R. Harivallabhdas
Chairman & Managing Director

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ANNEXURE

Disclosure of Particulars with respect to Conservation of Energy.

A. Power & Fuel Consumption :		Current Year	Previous Year
1. ELECTRICITY			
A. Purchased :			
Units		25,40,418	23,77,956
Total Amount (Rs.)		1,12,62,294	1,08,12,551
Rate / Unit (Rs.)		4.43	4.55
B. Own Generation :			
Units		3,19,064	3,05,368
Unit per Ltr. of Diesel		3.31	3.25
Average Cost / Unit (Rs.)		7.11	6.18
2. FURNACE OIL			
Quantity (in KL)		8,67.902	11,04.659
Total Cost (Rs.)		94,86,168	1,19,30,317
Average Rate per Litre (Rs.)		10.93	10.80
3. LIGNITE / COAL			
Quantity (in MT)		4,649.126	3,492.559
Total Cost (Rs.)		57,18,421	40,80,601
Average Rate per Kg. (Rs.)		1.23	1.16
4. OTHERS (IF ANY)		----	----
B. Consumption per unit of Production :			
	Production (M. Tons)	Standards if any	Per M. Ton
1. ELECTRICITY			
			<u>KWH</u>
Deodorizer Distillate (Mixed Tocopherols)	300.000	-----	1205.27
	(347.600)	-----	(1213.96)
Linoleic Acid / Oleic Acid	1158.033	-----	828.00
	(1040.352)	-----	(800.69)
Dimer Acid	543.226	-----	539.91
	(644.289)	-----	(434.85)
2. FURNACE OIL			
			<u>LTRS.</u>
Deodorizer Distillate (Mixed Tocopherols)	300.000	-----	237.39
	(347.600)	-----	(295.53)
Linoleic Acid / Oleic Acid	1158.033	-----	239.15
	(1040.352)	-----	(310.95)
Dimer Acid	543.226	-----	227.22
	(644.289)	-----	(264.04)
3. LIGNITE / COAL			
			<u>KGS.</u>
Deodorizer Distillate (Mixed Tocopherols)	300.00	-----	1308.92
	(347.600)	-----	(934.44)
Linoleic Acid / Oleic Acid	1158.033	-----	1320.13
	(1040.352)	-----	(983.16)
Dimer Acid	543.226	-----	1237.39
	(644.289)	-----	(834.80)

Note : Figures in brackets are in respect of previous year.



Annexure to the Directors' Report

Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

1. Company's Philosophy on the Code of Governance

The Company's philosophy on Corporate Governance is aimed at assisting the top management of the Company in the efficient conduct of its business and in meeting its obligations to stakeholders, and is guided by a strong emphasis on transparency, accountability and integrity.

2. Board of Directors

● Composition of the Board of Directors (Board)

The Company has an optimum mix of Executive and Non-executive Directors to bring independent judgement in the Board's deliberations and decisions. The Board consists of eight Directors, two of whom are Executive Directors and six are Non-executive Independent Directors.

Attendance of each Director at the Board Meetings and last Annual General Meeting (AGM) and the number of companies and committees where he is Chairman / Member :

Directors	Category	Attendance Particulars		Directorships in other Public Ltd. Cos. Incorporated in India	Committee Memberships**	
		Board Meetings	Last AGM		Member	Chairman
Shri Rajan R. Harivallabhdas (Chairman & M.D.)	Promoter, Executive	4	Yes	-	-	-
Shri Shyam B. Ghia	Independent, Non-Executive	1	No	8	5	4
Shri Chinubhai R. Shah	Independent, Non-Executive	4	Yes	8	5	5
Shri Nahoosh J. Jariwala (Executive Director)	Promoter, Executive	4	Yes	-	-	-
Shri Prafull Anubhai	Independent, Non-Executive	3	No	7	7	2
Shri Janak G. Nanavaty	Independent, Non-Executive	3	No	2	-	-
Shri Vishnu Varshney#	Independent, Non-Executive	4	No	8	4	4
Dr. Himanshu C. Patel*	Independent, Non-Executive	-	-	3	-	-

** Includes only Audit and Shareholders' / Investors' Grievance and Remuneration Committee in other Public Limited Companies.

Nominee Director of GVFL Limited.

* Appointed as an additional Director on May 5, 2004.

During the year, there have been no materially significant related party transactions, pecuniary relationships or transactions between the company and its non-executive Directors that may have potential conflict with the interests of the Company at large.

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- Board meetings and attendance**

Four Board meetings were held in the year 2003-04 and the gap between two Board meetings did not exceed four months.

The dates on which meetings were held are as follows :

Date of Meeting	No. of Directors Present	Date of Meeting	No. of Directors Present
June 30, 2003	5	October 21, 2003	5
July 29, 2003	7	January 29, 2004	6

- Details of Directors proposed to be appointed / re-appointed at the next Annual General Meeting :**

Name of the Director	Brief Particulars	Details of Directorships in Public Ltd. Companies in India	Chairman or Member in Committees
Shri Shyam B. Ghia	He is a Science graduate and holds a post-graduate degree in Business Management from USA. Presently he is the Chairman & M. D. of Futura Polyesters Ltd.	(1) H. K. Finechem Ltd.	-
		(2) Futura Polyesters Ltd.	Member of Investor Grievance Committee
		(3) Sonata Software Ltd.	Chairman of Audit Committee, Remuneration Committee & Investor Grievance Committee
		(4) Alkyl Software Ltd.	Member of Audit Committee and Investor Grievance Committee & Chairman of Remuneration Committee
		(5) AVT Natural Products Ltd.	Member of Audit Committee & Remuneration Committee
		(6) Innovasynth Technologies Ltd.	-
		(7) G. P. Electronics Ltd.	-
		(8) Standard Industries Ltd.	-
		(9) Novacell Life Sciences Ltd.	-
Shri Vishnu Varshney	He has been appointed as a nominee director of GVFL Ltd. - a Company promoted by GLIC Ltd. He is an I.I.T. graduate and has done M.S. & MBA for USA. He is having rich experience of managing funds of undertaking.	(1) H. K. Finechem Ltd.	Member of Audit Committee & Remuneration Committee
		(2) GVFL Ltd.	-
		(3) Colortek (India) Ltd.	Chairman of Remuneration Committee
		(4) Lokesh Machines Ltd.	Member of Audit Committee
		(5) Parsec Technologies (India) Ltd.	Chairman of Audit Committee & Remuneration Committee
		(6) 20 Microns Ltd.	Chairman of Audit Committee & Member of Remuneration Committee
		(7) e-Infochips Ltd.	Member of Audit Committee
		(8) Deccanent Designs Ltd.	-
		(9) Neilsoft Ltd.	Member of Remuneration Committee
Dr. Himanshu C. Patel	He is an Engineering graduate and holds M.S. and Ph. D. degree. At present, he is Managing Director of Denis Chem Lab Ltd.	(1) H. K. Finechem Ltd.	-
		(2) Denis Chem Lab Ltd.	-
		(3) Denis Finance Ltd.	-
		(4) Sintex International Ltd.	-