

ANNUAL REPORT  
ANNUAL REPORT  
2005-2006

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**H. K. FINECHEM LIMITED**

**REGISTERED OFFICE :**

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

Phone : (079) 2646 8752, 2640 2429

Fax : (079) 2646 0910

Website : www.hkfinechem.com

**WORKS :**

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

Phone : (02717) 222618-19-20

Fax : (02717) 222616

**BOARD OF DIRECTORS**

**SHRI RAJAN R. HARIVALLABHDAS**

Chairman & Managing Director

**SHRI SHYAM B. GHIA**

(upto October 28, 2005)

**SHRI CHINUBHAI R. SHAH**

**SHRI NAHOOSH J. JARIWALA**

Executive Director

**SHRI PRAFULL ANUBHAI**

**SHRI JANAK G. NANAVATY**

**DR. HIMANSHU C. PATEL**

**SHRI NAISHADH I. PARIKH**

(w.e.f. October 28, 2005)

**AUDITORS :**

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

Chartered Accountants,  
Ahmedabad.

**BANKERS :**

State Bank of India

General Manager (Finance)  
& Company Secretary :

**RAJEN N. JHAVERI**

**SHARE REGISTRARS :**

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



## NOTICE

NOTICE is hereby given that the Twenty First 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 Monday, September 18, 2006 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, 2006, the Balance Sheet as at that date and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri Janak G. Nanavaty who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Naishadh I. Parikh who retires by rotation and being eligible, offers himself for re-appointment.
4. 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

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government as may be necessary, the consent of the Company be and is hereby accorded to the terms of re-appointment of Shri Rajan R. Harivallabhdas as Managing Director of the Company for a period of two years with effect from August, 27, 2006 on the terms and conditions, as set out in the draft Agreement of the re-appointment to be entered into by the Company with him and submitted to the Meeting, duly initialled by the Chairman for identification and which agreement is hereby specifically sanctioned."

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to vary and/or modify the terms and conditions of the Agreement including remuneration and perquisites payable to Shri Rajan R. Harivallabhdas in such manner as may be agreed to between the Board of Directors and Shri Rajan R. Harivallabhdas within and in accordance with the limits prescribed in Schedule XIII to the Companies Act, 1956 or in accordance with the changes that may be affected in Schedule XIII of the Companies Act, 1956 and/or any amendments that may be made by the Central Government in that behalf from time to time or any amendments or re-enactment of the relevant provisions of the Companies Act, that may take place from time to time, during the above tenure of office of the Managing Director."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government as may be necessary, the consent to the Company be and is hereby accorded to the terms of re-appointment of Shri Nahoosh J. Jariwala as Executive Director of the Company for a period of two years with effect from August 27, 2006 on the terms and conditions, as set out in the draft Agreement of the re-appointment to be entered into by the Company with him and submitted to the Meeting, duly initialled by the Chairman for identification and which agreement is hereby specifically sanctioned."

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to vary and/or modify the terms and conditions of the Agreement including remuneration and perquisites payable to Shri Nahoosh J. Jariwala in such manner as may be agreed to between the Board of Directors and Shri Nahoosh J. Jariwala within and in accordance with the limits prescribed in Schedule XIII to the Companies Act, 1956 or in accordance with the changes that may be affected in Schedule XIII of the Companies Act, 1956 and/or any amendments that may be made by the Central Government in that behalf from time to time or any amendments or re-enactment of the relevant provisions of the Companies Act, that may take place from time to time, during the above tenure of office of the Executive Director."

**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 Nos. 5 & 6 above, is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 1st August, 2006 to Tuesday, 8th August, 2006, both days inclusive.
4. The documents / papers 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.

May 27, 2006

**Registered Office :**

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

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

**ANNEXURE TO THE NOTICE**

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

**ITEM Nos. 5 & 6 :**

Resolution Nos. 5 and 6 of the Notice relate to the terms of re-appointment of Shri Rajan R. Harivallabhdas as Managing Director and Shri Nahoosh J. Jariwala as Executive Director of the Company for a further period of two years from August 27, 2006 as the present term of appointment expires on August 26, 2006. The Board of Directors at its Meeting held on 27th May, 2006 has re-appointed Shri Rajan R. Harivallabhdas as Managing Director and Shri Nahoosh J. Jariwala as Executive Director on salaries and perquisite as given below. The Board is of the opinion that both of them are fit and proper persons to hold the respective offices & their re-appointment will be in the interest of the Company.

The material terms of remuneration payable to Shri Rajan R. Harivallabhdas are as follows :

**I. REMUNERATION :**

- (A) Salary : Salary of Rs. 65,000/- per month for the first year and Rs. 70,000/- per month for the second year.
- (B) Perquisites :
- (i) Housing :
    - (1) Residential accommodation or house rent allowance at the rate of 50% of salary.
    - (2) Expenses pertaining to electricity will be borne / reimbursed by the Company. This shall not exceed 30% of the salary.
  - (ii) Medical Expenses :

Reimbursement of

    - (1) Premium on Medi-claim policies for self and family for amounts maximum allowed from time to time under Medi-claim policy and
    - (2) Medical Expenses for self and family not exceeding two months' basic salary.
  - (iii) Leave Travel Concession :

Leave travel concession (LTC) including boarding and lodging expenses incurred in India or abroad, at actuals once in a year in respect of himself and family not exceeding 3 months' salary. The LTC entitlement for any one year to the extent not availed shall be allowed to be accumulated upto next 2 years.
  - (iv) Club Fees :

Reimbursement of Membership fee for upto 2 clubs in India.



(v) Personal Accident Insurance :

The Company shall pay Personal Accident Insurance premium upto Rs. 3,000 per annum.

(vi) The Company shall contribute towards provident fund or savings allowance @ 12.00 % and superannuation @ 8.33% of salary.

(vii) The Company shall pay gratuity at a rate of half month's salary for each completed year of service.

(viii) Thirty (30) days privilege leave with full pay and allowance for each completed year of service being accumutable and encashable.

(ix) Fifteen (15) days of sick/casual leave per year, being non-accumutable and non-encashable.

(x) Other perquisites :

Subject to overall ceiling on remuneration mentioned hereinbelow, the Managing Director may be given other allowances, benefits and perquisites as the Board may from time to time approve.

(C) Amenities :

(i) Conveyance facilities

The Company shall provide a Car with driver at the entire cost to the Company.

(ii) Communication facilities

The Company shall provide telephone, E-Mail and other communication facilities at the residence of Managing Director.

Explanation :

Perquisites shall be evaluated as per Income-tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at the actual cost.

II OVERALL REMUNERATION :

The aggregate of salary and perquisites in any financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act as may be, for the time being, in force.

III MINIMUM REMUNERATION :

In the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of the Managing Director, the payment of salary, perquisites and other allowances shall be governed under Section II of the Part II of Schedule XIII to the Companies Act, 1956."

The material terms of remuneration payable to Shri Nahoosh J. Jariwala are as follows :

I REMUNERATION :

(A) Salary : Salary of Rs. 43,000/- per month for the first year and Rs. 46,000/- per month for the second year.

(B) Perquisites :

(i) Housing

(1) Residential accommodation or house rent allowance at the rate of 30% of salary.

(2) Expenses pertaining to electricity will be borne / reimbursed by the Company. This shall not exceed 20% of the salary.

(ii) Medical Expenses :

Reimbursement of

(1) Premium on Medi-claim policies for self and family for amounts maximum allowed from time to time under Medi-claim policy and

(2) Medical Expenses for self and family not exceeding one month's basic salary.

(iii) Leave Travel Concession :

Leave travel concession (LTC) including boarding and lodging expenses incurred in India or abroad, at actuals once in a year in respect of himself and family not exceeding 2 months' salary. The LTC entitlement for any one year to the extent not availed shall be allowed to be accumulated upto next 2 years.

(iv) Club Fees :

Reimbursement of Membership fee for any one club in India.

(v) Personal Accident Insurance :

The Company shall pay Personal Accident Insurance premium upto Rs. 2,000 per annum.

(vi) The Company shall contribute towards provident fund or savings allowance @ 12.00% and superannuation @ 4.17% of salary.

(vii) The Company shall pay gratuity at a rate of half month's salary for each completed year of service.

(viii) Thirty (30) days privilege leave with full pay and allowance for each completed year of service being accumutable and encashable.

(ix) Fifteen (15) days of sick/casual leave per year, being non-accumutable and non-encashable.

(x) Other perquisites :

Subject to overall ceiling on remuneration mentioned hereinbelow, the Executive Director may be given other allowances, benefits and perquisites as the Board may from time to time approve.

(C) Amenities :

(i) Conveyance facilities :

The Company shall provide a Car with driver at the entire cost to the company.

(ii) Communication facilities :

The Company shall provide telephone, E-Mail and other communication facilities at the residence of Executive Director.

Explanation :

Perquisites shall be evaluated as per Income-tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at the actual cost.

II OVERALL REMUNERATION :

The aggregate of salary and perquisites in any financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act as may be for the time being, in force.

III MINIMUM REMUNERATION :

In the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of the Executive Director, the payment of salary, perquisites and other allowances shall be governed under Section II of the Part II of Schedule XIII to the Companies Act, 1956."

The Board commends the resolutions for your approval.

Shri Rajan R. Harivallabhdas and Shri Nahoosh J. Jariwala may be deemed to be concerned or interested in the said resolutions as above resolutions relate to their re-appointment and payment of remuneration as Managing Director and Executive Director. None of the other Directors of the Company, is, in any way, concerned or interested in these resolutions.

The above explanatory statement sets out an abstract of material terms of the contract with Managing Director and the same may be treated as an abstract of memorandum of interest in accordance with Section 302 of the Companies Act, 1956.

May 27, 2006

**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 Twenty First Annual Report together with the audited accounts for the year ended March 31, 2006.

**FINANCIAL RESULTS :**

	<b>(Rupees in Lakhs)</b>	
	<b>Year ended on 31-03-2006</b>	<b>Year ended on 31-03-2005</b>
Income	<b>2384.48</b>	2258.38
Profit before Interest, Depreciation & Taxation	<b>488.09</b>	479.65
Less : Interest	<b>61.84</b>	66.30
Profit before Depreciation & Taxation	<b>426.25</b>	413.35
Less : Depreciation	<b>129.03</b>	116.24
Profit before tax	<b>297.22</b>	297.11
Less : Provision for taxation		
- Current Tax	<b>75.00</b>	24.00
- Fringe Benefit Tax	<b>2.10</b>	NIL
- Deferred Tax	<b>93.84</b>	159.80
Net Profit after Tax	<b>126.28</b>	113.31

**DIVIDEND :**

Your Directors do not recommend any dividend on Equity Shares to preserve the resources in view of pressure on margins, particularly during second half.

**OPERATIONS :****(A) Sales and Profit :**

The sales and other income of the Company during 2005-06 were marginally higher at Rs. 2384.48 lacs compared to Rs. 2258.38 lacs of previous year. This was due to increase in the quantity of sales. The redeeming point for the year was better utilisation of the plant.

**(B) Technical Achievement :**

While continuing its efforts in establishing processing know-how to further concentrate Tocopherols and Sterols, the Company is also working on finding new applications for its fatty acids stream.

**(C) Raw Material :**

Both the raw materials continue to be available in adequate quantities from within India.

**(D) Export :**

International market of Natural Vitamin E which is mainly used by humans, experienced a lot of volatility and this has partly affected Company's export of MIXED TOCOPHEROLS. To overcome this slackness, the Company is exploring the possibility of its use as a replacement for relatively cheaper substitutes in the FEED category by matching the price. As regards STEROLS, the other export product, though demand has not slowed down, the prices have gone down due to increased supply.



**DIRECTORS :**

During the year, Shri Shyam B. Ghia resigned and ceased to be a Director w.e.f. October 28, 2005 and Shri Naishadh I. Parikh was appointed as a Director w.e.f. October 28, 2005 to fill in the casual vacancy. Your Directors place on record their appreciation of contributions made by Shri Shyam B. Ghia during his tenure as a Director of the Company.

Shri Janak G. Nanavaty and Shri Naishadh I. Parikh 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.

**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 :  
-----

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

On completion of ongoing capacity expansion programme, the Company will be in a position to have continuous dedicated lines of production for different products. This is likely to result in saving in per unit energy cost.

- (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 (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 continued to experiment with process route and resultant finished products for use in hitherto untapped market and overall maximisation of profit.

**C. Foreign Exchange Earnings and Outgo**

Foreign Exchange Earnings Rs. 7,92,27,725/-

Foreign exchange utilised Rs. 22,87,702/-



**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, 2006 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.

- |                            |          |
|----------------------------|----------|
| (1) Shri Prafull Anubhai   | Chairman |
| (2) Shri Chinubhai R. Shah | Member   |
| (3) Shri Janak G. Nanavaty | Member   |

**CORPORATE GOVERNANCE :**

A Report on the Corporate Governance Code alongwith 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. As on March 31, 2006, public deposits stood at Rs. 72.25 lacs. As at 31st March 2006, there was one unclaimed deposit of Rs. 8,000/-.

**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 State Bank of India.

Ahmedabad  
May 27, 2006

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

## ANNEXURE

Disclosure of Particulars with respect to Conservation of Energy.

A. Power & Fuel Consumption :		2005-06	Previous Year
1. ELECTRICITY			
A. Purchased :			
Units		32,59,836	28,64,556
Total Amount (Rs.)		1,51,34,792	1,30,14,629
Rate / Unit (Rs.)		4.64	4.54
B. Own Generation :			
Units		2,72,553	2,50,583
Unit per Ltr. of Diesel		3.24	3.20
Average Cost / Unit (Rs.)		10.17	8.42
2. FURNACE OIL			
Quantity (in KL)		277.385	839.365
Total Cost (Rs.)		52,68,227	94,85,983
Average Rate per Litre (Rs.)		18.99	11.30
3. LIGNITE / COAL			
Quantity (in MT)		9,230.690	6,086.793
Total Cost (Rs.)		1,48,19,548	91,32,200
Average Rate per Kg. (Rs.)		1.61	1.50
4. OTHERS (IF ANY)		----	----
B. Consumption per unit of Production :		Production (M. Tons)	Standards if any
Per M. Ton			
1. ELECTRICITY			KWH
Deodorizer Distillate (Mixed Tocopherols)		400.010 (420.025)	----- ----- 1282.05 (1218.49)
Linoleic Acid / Oleic Acid		874.577 (902.778)	----- ----- 823.68 (919.09)
Dimer Acid		735.676 (633.703)	----- ----- 677.26 (583.57)
2. FURNACE OIL			LTRS.
Deodorizer Distillate (Mixed Tocopherols)		400.010 (420.025)	----- ----- 61.06 (213.81)
Linoleic Acid / Oleic Acid		874.577 (902.778)	----- ----- 59.45 (230.48)
Dimer Acid		735.676 (633.703)	----- ----- 71.90 (214.74)
3. LIGNITE / COAL			KGS.
Deodorizer Distillate (Mixed Tocopherols)		400.010 (420.025)	----- ----- 2311.17 (1561.10)
Linoleic Acid / Oleic Acid		874.577 (902.778)	----- ----- 1966.32 (1691.66)
Dimer Acid		735.676 (633.703)	----- ----- 2541.98 (1588.78)

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