

ANNUAL REPORT

2006-2007

Report  junction.com



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

BOARD OF DIRECTORS

SHRI RAJAN R. HARIVALLABHDAS

Chairman & Managing Director

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

Report  junction.com

WORKS :

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

Phone : (02717) 222618-19-20

Fax : (02717) 222616

AUDITORS :

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

Chartered Accountants,
Ahmedabad.

BANKERS :

State Bank of India

General Manager (Finance)

& Company Secretary :

AKSHAYKUMAR P. SHAH

SHARE REGISTRARS :

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



NOTICE

NOTICE is hereby given that the Twenty Second 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 Saturday, September 22, 2007 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, 2007, 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 Chinubhai R. Shah who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. Himanshu C. Patel 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 modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT Clause V of the Memorandum of Association of the Company be altered by substituting the words "The Authorised Share Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crores Only) divided into 1,45,00,000 (One Crore Forty Five Lacs Only) Equity Shares of Rs. 10/- (Rupees Ten Only) each and 50,000 (Fifty Thousand Only) Preference Shares of Rs. 100/- (Rupees One Hundred Only) each" for the present words "The Authorised Share Capital of the Company is Rs. 10,00,00,000/- (Rupees Ten Crores Only) dividend into 95,00,000 (Ninety Five Lacs Only) Equity Shares of Rs. 10/- (Rupees Ten Only) each and 50,000 (Fifty Thousand Only) Preference Shares of Rs. 100/- (Rupees One Hundred Only) each."

RESOLVED FURTHER THAT any of the Directors of the Company be and is hereby authorised to do all such acts, deeds and things as may be necessary, expedient or desirable to give effect to this resolution."

6. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered by substituting in Article 5(a) thereof the words and figures "The Authorised Share Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crores Only) divided into 1,45,00,000 (One Crore Forty Five Lacs Only) Equity Shares of Rs. 10/- (Rupees Ten Only) each and 50,000 (Fifty Thousand Only) Preference Shares of Rs. 100/- (Rupees One Hundred Only) each" for the present words "The Authorised Share Capital of the Company is Rs. 10,00,00,000/- (Rupees Ten Crores Only) dividend into 95,00,000 (Ninety Five Lacs Only) Equity Shares of Rs. 10/- (Rupees Ten Only) each and 50,000 (Fifty Thousand Only) Preference Shares of Rs. 100/- (Rupees One Hundred Only) each."

RESOLVED FURTHER THAT any of the Directors of the Company be and is hereby authorised to do all such acts, deeds and things as may be necessary, expedient or desirable to give effect to this resolution."

June 30, 2007

Registered Office :

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

By Order of the Board
Akshaykumar P. Shah
General Manager (Finance)
& Company Secretary

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 Monday, the 17th September, 2007 to Saturday, 22nd September, 2007, 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.

ANNEXURE TO THE NOTICE

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

ITEM Nos. 5 & 6 :

The present Authorised Share Capital of the Company is Rs. 10,00,00,000/- dividend into 95,00,000 Equity Shares of Rs. 10/- each and 50, 000 Preference Shares of Rs. 100/- each. The Company now proposes to issue further 50,00,000 Equity Shares. According to the existing classification of the Authorised Capital, there is no available balance in the equity account. Therefore, the Company will have to first increase its Authorised Equity Share Capital.

The amendment to Clause V of the Memorandum of Association and Article 5(a) of the Articles of Association contained respectively in the resolutions proposed at item Nos. 5 & 6 are consequential to the reclassification of Authorised Share Capital. The resolution at item No. 6 is being proposed as a Special Resolution as required by the provisions of Section 31 of the Companies Act, 1956.

The Directors commend the resolution for approval.

None of the Directors of the Company is interested in this resolution.

June 30, 2007

Registered Office :

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

By Order of the Board
Akshaykumar P. Shah
General Manager (Finance)
& Company Secretary

**DIRECTORS' REPORT**

To,

The Members,

Your Directors present the Twenty Second Annual Report together with the audited accounts for the year ended March 31, 2007.

FINANCIAL RESULTS :

	(Rupees in Lakhs)	
	Year ended on 31-03-2007	Year ended on 31-03-2006
Income	2727.61	2384.48
Profit before Interest, Depreciation & Taxation	265.44	488.09
Less : Interest	105.10	61.84
Profit before Depreciation & Taxation	160.34	426.25
Less : Depreciation	150.66	129.03
Profit before tax	9.68	297.22
Less : Provision for taxation		
- Current Tax	1.15	75.00
- Fringe Benefit Tax	1.92	2.10
- Deferred Tax	6.26	93.84
- Mat Credit Entitlement	(1.15)	----
Net Profit after Tax	1.50	126.28

DIVIDEND :

Your Directors do not recommend any dividend on Equity Shares in view of inadequacy of profits.

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

The sales and other income of the Company during 2006-07 were marginally higher at Rs. 2727.61 lacs compared to Rs. 2384.48 lacs of the previous year. This was due to increase in the quantity of sales and higher prices. The redeeming point for the year was better utilisation of the plant. However, the profit was significantly lower due to increase in raw material prices.

(B) Technical Achievement :

The Company proposes to carry out the techno-feasibility report based on in-house process developed for natural vitamin-E and purified sterols and commence the production during the year 2007-2008.

(C) Raw Material :

Both raw materials were in short-supply and there was also rise in prices.

(D) Export :

The company was able to procure the required orders for Toco-concentrates and Sterols. The Company has made export of Rs. 4,04,62,455/- during the year.

DIRECTORS :

Shri Chinubhai R. Shah and Dr. Himanshu C. Patel 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 has an ongoing program for upgradation of existing products, improvement in manufacturing processes and product costs, import substitution and export promotion. This is done through constant interaction with employees, customers and vendors.

The Company continued 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. 4,04,62,455/-

Foreign exchange utilised Rs. 30,13,048/-

**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, 2007 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.

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, 2007, public deposits stood at Rs. 93.06 lacs. As at 31st March, 2007 there were two unclaimed deposits aggregating to Rs. 30,000/-.

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
June 30, 2007

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 :		2006-07	Previous Year
1. ELECTRICITY			
A. Purchased :			
Units		39,28,312	32,59,836
Total Amount (Rs.)		2,03,22,150	1,51,34,792
Rate / Unit (Rs.)		5.17	4.64
B. Own Generation :			
Units		2,39,680	2,72,553
Unit per Ltr. of Diesel		3.40	3.24
Average Cost / Unit (Rs.)		10.61	10.17
2. FURNACE OIL			
Quantity (in KL)		428.268	277.385
Total Cost (Rs.)		1,03,30,195	52,68,227
Average Rate per Litre (Rs.)		24.12	18.99
3. LIGNITE / COAL			
Quantity (in MT)		10,614.934	9,230.690
Total Cost (Rs.)		1,88,30,203	1,48,19,548
Average Rate per Kg. (Rs.)		1.77	1.61
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)	280.085 (400.010)	----- -----	1166.16 (1282.05)
Linoleic Acid / Oleic Acid	1494.860 (874.577)	----- -----	1928.20 (823.68)
Dimer Acid	959.048 (735.676)	----- -----	519.96 (677.26)
2. FURNACE OIL			LTRS.
Deodorizer Distillate (Mixed Tocopherols)	280.085 (400.010)	----- -----	80.49 (61.06)
Linoleic Acid / Oleic Acid	1494.860 (874.577)	----- -----	181.66 (59.45)
Dimer Acid	959.048 (735.676)	----- -----	71.44 (71.90)
3. LIGNITE / COAL			KGS.
Deodorizer Distillate (Mixed Tocopherols)	280.085 (400.010)	----- -----	2011.63 (2311.17)
Linoleic Acid / Oleic Acid	1494.860 (874.577)	----- -----	4626.32 (1966.32)
Dimer Acid	959.048 (735.676)	----- -----	1713.17 (2541.98)

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

H. K. Finechem Limited is committed to the adoption of the best governance practices and their adherence in the true spirit, at all times. The Company's philosophy on Corporate Governance is to ensure that the systems and procedures which monitor compliance with laws, rules and regulations are in place in each area of its operations and the relevant information regarding the Company is disseminated to all its stakeholders. The Company has complied with all the applicable provisions of Clause 49 of Listing Agreement.

2. Board of Directors

● Composition of the Board of Directors (Board)

In compliance with the corporate governance norms in terms of constitution of the Board, headed by Managing Director, the Board currently has two Executive directors and five Non-executive Directors, representing optimum combination of professionalism, knowledge and experience.

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. Companies Incorporated in india	Committee Memberships**	
		Board Meetings	Last AGM		Member	Chairman
Shri Rajan R. Harivallabhdas (Chairman & M.D.)	Promoter, Executive	4	Yes	-	-	-
Shri Chinubhai R. Shah	Independent, Non-Executive	4	No	10	5	4
Shri Nahoosh J. Jariwala (Executive Director)	Promoter, Executive	3	Yes	-	-	-
Shri Prafull Anubhai	Independent, Non-Executive	4	Yes	5	5	3
Shri Janak G. Nanavaty	Independent, Non-Executive	4	No	2	2	1
Dr. Himanshu C. Patel	Independent, Non-Executive	2	No	3	-	-
Shri Naishadh I. Parikh	Independent, Non-Executive	1	No	7	3	1

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

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.

The Board has laid down the Code of Conduct for all Board members and senior management personnel of the Company. Same has been posted on the website of the Company.

● Board meetings and attendance

The Meetings of the Board of Directors is scheduled well in advance. The Board meets at least once in a quarter *inter-alia* to review the performance of the Company. Each time, a detailed agenda is prepared in consultation with the Chairman & Managing Director. Four Board meetings were held in the year 2006-07 and the gap between two Board meetings has not exceeded 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
May 27, 2006	5	October 27, 2006	5
July 28, 2006	6	January 25, 2007	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 Chinubhai R. Shah	He holds Masters Degree in Arts and Law besides holding qualifications of DTP & DLP. He is also a practising Company secretary. He had been Managing Director of GITCO and Ahmedabad Electricity Company Limited (now known as Torrent Power Ltd.) and director in torrent Group of Companies. Currently, he is advising many companies on corporate and management affairs.	(1) Adani Exports Limited	Chairman of Audit Committee & Shareholders' / Investors' Grievance Committee
		(2) Arman Lease & Finance Ltd.	Chairman of Shareholders' / Investors' Grievance Committee & Member of Audit Committee
		(3) Cadila Pharmaceuticals Ltd.	Chairman of Audit Committee
		(4) Gujarat NRE Coke Ltd.	Member of Audit Committee
		(5) H. K. Finechem Ltd.	Member of Audit Committee
		(6) Meghmani Organics Ltd.	Member of Audit Committee
		(7) Nirma Ltd.	-
		(8) Tinsplate Co. of India Ltd.	Member of Audit Committee & Shareholders' / Investors' Grievance Committee
		(9) Nefron Limited	-
		(10) Gujarat State Export Corporation Limited	-
		(11) Apollo Hospitals International Limited	-
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.	Member of the Remuneration Committee
		(2) Denis Chem Lab Ltd.	-
		(3) Denis Finance Ltd.	-
		(4) Sintex International Ltd.	-