



Arvind

No one protects your interest better

Arvind Chemicals Limited

13th Annual Report & Accounts 2004-2005



NOTICE

Notice is hereby given that the 13th Annual General Meeting of the Members of ARVIND CHEMICALS LIMITED will be held at Jhajharia Committee Room, 15B, Hemanta Basu Sarani, 2nd floor, Kolkata-700 001, on Wednesday, the 28th September, 2005 at 10.00 A.M. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2005 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri. R. C. Bajoria who retires by rotation and being eligible offers himself for reappointment.
3. To appoint auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS :

4. To consider and if thought fit to pass with and without modification the following Resolution as ordinary resolution :-
"RESOLVED THAT Shri Sajjan Kumar Poddar, a Director of the Company, who hold office upto the date of this Annual General meeting pursuant to Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company liable to retire by rotation."

Registered Office :
15, Ganesh Chandra Avenue
Kolkata - 700 013
Dated : 31.08.05

By order of the Board

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/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies in order to be effective must be received at the Registered office of the company, not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 26th day of September to 28th day of September 2005 (both days inclusive).
3. Explanatory statement pursuant to section 173 (2) of the Companies Act, 1956 is annexed.
4. Members are requested to kindly notify any change in their mailing addresses immediately to the Company's Share Transfer Agents.
5. Members, who are holding shares in identical order of names in more than one account, are requested to intimate to the Company, the ledger folio of such accounts together with the Share Certificate(s) to enable the Company to consolidate all holdings into one account.



The Share Certificates will be returned to the members after making the necessary endorsements in due course.

6. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the company at least ten days in advance, so as to enable the company to keep the information ready.
7. Members are requested to kindly bring their copies of the Report and Accounts to the meeting.

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

Item No. : 4

Shri Sajjan Kumar Poddar was appointed as of Additional Director during the year and his term in office expires at the forthcoming Annual General Meeting. The Company has received notice U/ S 257 from member of the Company indicating his intention to propose resolution for appointment of Shri Sajjan Kumar Poddar as Director in the forthcoming AGM.

In view of the wide experience and expertise of Shri Sajjan Kumar poddar the Board recommend his appointment in the interest of the Company.

Except Shri Sajjan Kumar Poddar, none of the Directors is interested in the resolution.

INFORMATION REQUIRED TO BE FURNISHED UNDER CLAUSE 49 (VI) (A) OF THE LISTING AGREEMENT IN RESPECT OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT

Name of Director	Sh. Remesh Chandra Bajoria
Date of Birth	05.01.1942
Date of Appointment	Since Incorporation
Qualification	B. Com
Expertise in Specific Functional Area	Business with wide experience
Directorship in other Public Limited Company	Nil
Chairmanship/Membership of Committees in other public Limitede Company	Nil
Name of Director	Shri Sajjan Kumar Poddar
Date of Birth	25.06.1961
Date of Appointment	05.06.2005
Qualification	C.A.
Expertise in Specific Functional Area	Practising C.A. with wide experience in finance.
Directorship in other Public Limited Company	Nil
Chairmanship/Membership of Committees in other Public Limited Companies	Nil



DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting their 13th Annual Report together with the Audited Financial Results of the Company for the year ended 31st March 2005.

FINANCIAL RESULTS :

	<u>Year ended</u> <u>31.03.2005</u>	<u>Year ended</u> <u>31.03.2004</u>
	Total	
Turnover	762.54	3270.36
Other Income	69.80	9.14
Total	832.34	3279.50
Add : Closing Stock	1163.37	13.12
Less : Opening Stock	13.12	6.31
Revenue	1982.59	3286.31
Less : Total Expenditure	1874.04	3201.72
Gross Profit (before Interest & Depreciation)	108.55	84.59
Less : Interest & Depreciation	39.74	34.11
Net Profit (before tax)	68.81	50.48
Less: Unallocable Expenses	28.41	34.33
Less : Provision for Tax	1.16	1.65
Profit before Deferred Tax Liability	39.24	14.59
Deferred Tax Assets/Liability	2.53	4.23
Profit after tax	36.71	10.36
Balance Brought Forward	115.40	105.04
Balance Carried Forward	152.11	115.40

PERFORMANCE :

The Gross profit of the Company during the year under review was Rs. 108.55 lacs thereby showing an increase by 28% as compared to last year. The net profit after also showed a surge by 254% as compared to last year.

The Company has provided Rs. 2.53 lac towards Deferred Tax Liabilities for the current year as per Accounting Standard - 22 'Accounting for Taxes on Income' issued by the Chartered Accountants of India.

AMALGAMATION :

Your Board in its meeting held on 30th May 2005 have since approved a Scheme of proposed merger of Fast Capital Securities Ltd. and Vartika Traders Pvt. Ltd. (both being unlisted companies) with your company. Your Directors feel that such amalgamation will bring in the scattered resources - both financial and managerial under one roof and will accord the economics of scale to your company apart from ensuring advantages under various laws. An Application under clause 24 (f) of the Listing Agreement for obtaining no objection certificate has been made to the Stock Exchanges for the proposed merger. Further action in the matter will be taken on obtaining the required certificate from BSC.



FORFEITURE OF SHARES

Your Directors in their Board Meeting held on 4th June 2005 forfeited 1,59,900 partly paid Equity shares, the final notice for which was duly given to all the shareholders and reissued the same to M/s Sumangal Kutir Pvt. Ltd. @ Rs. 35 per share as fully paid up. All the legal formalities in relation to the aforesaid forfeiture were duly complied.

DIVIDEND :

There being no distributable profit your Directors do not recommend any Dividend for the year.

CORPORATE GOVERNANCE :

A Report on Corporate Governance as required under clause 49 of the Listing Agreement is annexed hereto and marked as Annexure - 'A'.

PUBLIC DEPOSIT :

The Company has not accepted and/or renewed any Public Deposit during the year.

DIRECTORS' RESPONSIBILITY STATEMENT :

In compliance with the Section 217(2AA) of the Companies Act, 1956 your Directors confirm that :

- i) In preparation of the annual accounts, the Accounting Standards have been consistently followed ;
- ii) The directors have selected such Accounting Policies as detailed in the schedule XIX to the Annual Accounts and applied the same 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 and of the Profit & Loss A/c. of the Company for that period.
- iii) Proper and sufficient care has been taken for the maintenance of adequate Accounting records in accordance with the provisions of the aforesaid Act, for safeguarding the assets of the Company and detecting fraud and other irregularities;
- iv) The annual accounts have been prepared on the on 'going concern' basis.

DIRECTORS :

In accordance with the Provisions of the Companies Act, 1956 and the Articles of Association of the company, Shri. Ramesh Chandra Bajoria, retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

Shri Sajjan Kumar Poddar was appointed as Additional Director during the year and he holds office till the conclusion of forthcoming Annual General Meeting. A Notice has been received from a member signifying his intention to propose appointment of Shri Sajjan Kumar Poddar as Director of the Company at the forthcoming Annual General meeting.

AUDITORS :

M/s. B. Singhal & Co., the Auditors of the Company will retire at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.



AUDITORS' REPORT :

The Auditors' Report when read with Notes on Accounts as detailed in the Schedule XIX to the Annual Accounts, is self-explanatory and does not require any further elaboration.

LISTING OF SHARES :

The shares of the company are listed on the Stock Exchanges at Kolkata and Mumbai and the company has been generally regular in complying with the provisions of the Listing Agreements.

The shareholders of the company have since passed necessary resolutions for voluntary delisting of company's shares from the stock Exchange at Ahmedabad and has also complied with various formalities as are required in terms of SEBI guidelines. The confirmation of the same is awaited.

DEMATERIALISATION OF SHARES :

In terms of provisions of the Depositories Act, 1996, the shares of the company have already been dematerialised with the depositories M/s. NSDL and M/S CDSL. The ISIN No. allotted to the company by the said NSDL/CSDL is INE146F01012 and in terms of the said Depositories Act, 1996, trading in the equity shares of the company on any Stock Exchange is permitted only in dematerialised form.

PARTICULARS OF EMPLOYEES :

There being no employee drawing salaries and remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956, no statement containing particulars of Employees in terms of the said provisions of Act is necessary.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/ OUTGO :

The particulars relating to the conservation of energy, Technology Absorption & Foreign Exchange Earnings and Outgo as are required under section 217(1)(e) of the Companies Act, 1956 is annexed as part of this report.

ACKNOWLEDGEMENTS :

Your Director take this opportunity to express their gratitude to the officials of the Central & State Government Departments and Agencies, the Financial Institutions and Banks and other authorities for their co-operation and support to the company. The Directors also place on records their deep appreciation of the sincere efforts and contributions made by the employees at all levels for maintaining steady progress of the company.

Registered Office :
15, Ganesh Chandra Avenue,
Kolkata - 700 013
Dated : 31.08.2005

On Behalf of the Board
For **ARVIND CHEMICALS LTD.**
R. C. BAJORIA
Chairman



ANNEXURE TO THE DIRECTORS' REPORT :

Information as required under Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 :-

A. CONSERVATION OF ENERGY

- a) Energy Conservation measures taken : The company is taking adequate steps for reduction in non-essential loads to conserve power by increasing the production in each run.
- b) Additional investments and proposals are being implemented for reduction of consumption of energy . The efforts to conserve energy on other areas are in progress.
- c) Impact of above measures : More efficient utilisation of power & reduction in energy consumption.
- d) Total energy consumption and energy consumption per unit of production : As per Form A annexed.

B. TECHNOLOGY ABSORPTION

- a) Efforts made in technology absorption : As per Form B annexed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	Current Year	(Rs. In Lacs) Previous Year
Total foreign exchange earnings	NIL	NIL
Total foreign exchange outgo	19.32	NIL

FORM - A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

PARTICULARS	Current year (2004-2005)	Previous Year (2003-2004)
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY		
a) Purchased		
...Unit (In Lacs/KWH)	0.25	0.20
...Rate (Rs./KWH)	6.20	8.08
...Total Amount (Rs. Lacs)	1.55	1.62
b) Own Generation		
1) Through, Diesel Generator		
....Units (in lacs/KWH)	0.04	0.02
.....Unit per Ltr. of Diesel oil	3.04	3.04
.....Rate (Rs. / KWH)	8.92	7.09
B. CONSUMPTION PER UNIT OF PRODUCTION		
Electricity (Unit/KG)		
..... P. U FOAMS	0.09	0.11



FORM - B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION, RESEARCH, AND DEVELOPMENT (R & D)

The future course of action for carrying out research & development will be as under :

1. **SPECIFIC AREAS IN WHICH R&D PROPOSED TO BE CARRIED OUT BY COMPANY :**

The R & D activities of the company have been directed towards improvement in the existing product range as well as to develop new products. Continuous efforts have been made to achieve the above.

2. **BENEFITS DERIVED**

With the introduction of R & D activities, the company has been able to improve the quality of its products, reduced the costs and has also improved environmental conditions.

3. **FUTURE PLAN OF ACTION**

With the objects of attainment of better future and growth, new products will be developed and launched.

4. **EXPENDITURE ON R & D :**

- a) Capital (if any)
- b) Recurring
- c) Total
- d) Total R & D Expenditure as a percentage of total turnover

Expenditure are charged
under direct head of
revenue accounts

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. **EFFORTS MADE :**

Continuous efforts are made for improvements in the existing production process and products.

2. **BENEFITS :**

The company has been able to improve the quality of its products.



ANNEXURE - 'A'

REPORT ON CORPORATE GOVERNANCE

[Prior to 4th June 2005, the paid-up capital of the company being less than Rs. 3 crores, the provision of Clause 49 of the Listing Agreement were not applicable to your Company]

1. Philosophy of Corporate Governance :

The Company believes that Corporate Governance is a systematic process by which companies are directed and controlled keeping in mind the long-term interest of the stakeholders. It firmly believes that good Corporate Governance is the foundation of corporate excellence. The Company is committed to compliance of all statutory regulations and at the same time ensuring that the affairs of the company be controlled and regulated in manner which is transparent, ethical, and accountable.

2. BOARD OF DIRECTORS : Composition and category

The Board of Directors of the Company consist of persons with professional expertise. The Board of Directors of the Company meets from time to time to transact business in respect of which the Board's attention is considered necessary. Details of the composition of the Board and changes therein since the last report, category of the Directors, the attendance at the Board Meeting during the year and the last AGM as also the number of other Board of Directors or Board Committees of which he is a member / chairperson are as under :

Name of the Director	Category	No. of other Directorship*	No. of other Board Committee** position as		No. of Board meeting Attended	Attendance at last AGM held on 28.09.04
			Member	Chairman		
Shri R. C. Bajoria Chairman	Promoter Non-Executive	Nil	Nil	Nil	7	yes
Shri Saurabh Poddar Director	Independent Non-Executive	Nil	Nil	Nil	7	Yes
Shri S. L. Khandelwal Director	Non-Executive	1	Nil	Nil	7	Yes
Shri S. K. Poddar (appointed on 5.06.05)	Independent Non-Executive	Nil	Nil	Nil	Nil	No



- * Directorship in Foreign Companies, Private Limited Companies and Companies covered under section 25 of the Companies Act, 1956 have not been considered.
- ** Only the positions held in other Committees, such as audit, remuneration and shareholders' grievance committee in Indian Public Limited Companies have been considered.

During the financial year ended on 31st March, 2005 7 (seven) Board Meetings were held on 30th April 2004, 10th June 2004, 30th July 2004, 25th August 2004, 30th October 2004, 2nd December 2004 and 31st January 2005

3. **AUDIT COMMITTEE**

The Board constituted the Audit Committee on 5th June 2005 as before that date the paid up capital of the company was below Rs. 3 crore. The Committee covers the area mentioned under Clause 49 of the Listing Agreement besides other terms as may be referred to it by the Board of Directors. The Composition of Audit Committee is as follows :

Shri Sajjan Kumar Poddar (Chairman)

Shri Saurabh Kumar Poddar (Member)

Shri R. C. Bajoria (Member)

4. **SHAREHOLDERS COMMITTEE**

The Committee was constituted by the Board on 5th June 2005. The Committee is entrusted with the authority to confirm the share transfer and redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.

The Company secretary has been designated as the Compliance officer by the Board and assigned with the responsibilities of overseeing shareholders' / investors' grievances under the supervision of the Committee. There is no grievance pending as on date.

The composition of the committee is as follows :—

i. Shri Sajjan Kumar Poddar (Chairman)

ii. Shri Shankarlal Khandelwal (Member)

iii. Shri R. C. Bajoria (Member)



5. General Body Meetings :

a) The details of Annual General Meetings held in last 3 years :

Year	Meeting	Location	Date	Time
2003-2004	12th AGM	Jhajharia Committee Room, 15B, Hemanta Basu Sarani 2nd Floor, Kolkata - 700 001	28.09.04	10.00 A.M.
2002-2003	11th AGM	Jhajharia Committee Room, 15B, Hemanta Basu Sarani 2nd Floor, Kolkata - 700 001	29.09.03	10.00 A.M.
2001-2002	10th AGM	Jhajharia Committee Room, 15B, Hemanta Basu Sarani 2nd Floor, Kolkata - 700 001	29.09.02	10.00 A.M.

b) Postal Ballot.

Special resolutions put through postal ballot last year : Nil

Items proposed to be conducted through postal ballot this year : Nil

6. Disclosures :

a) Disclosures on materially significant related party transactions :

The company has not entered into any transactions of material nature, with its Promoters, the Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large. The transactions undertaken during the year have been disclosed in Note no. 7 of Schedule XIX forming part of the Accounts for the year ended 31st March 2005

b) The company has regularly complied with the requirements of the regulatory authorities on the Capital markets and no penalties/ strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority, during the last three years.

7. Means of Communication :

The quarterly, half-yearly and the annual financial results are published in English & Vernacular newspapers and are also furnished to the Stock Exchanges with whom the Company is listed enabling them to put them on their websites. As per the requirement of clause 51 of the Listing Agreement, all data relating to quarterly financial results, shareholding pattern etc. is provided on the specified website www.sebidifir.nic.in The Management Discussion and Analysis Report forms part of the Annual Report.



8. General Shareholders' Information :

a) Annual General Meeting :

Date and Time : 28th September 2005 at 10.00 AM
Venue : Jhajharia Committee Room, 15B, Hemanta Basu Sarani, 2nd Floor, Kolkata - 700 001

b) Financial Calendar : 1st April 2004 to 31st March 2005

c) Book Closure Date : 26th September to 28th September 2005 (Both days inclusive)

d) Dividend Payment Date : Nil

e) Listing of Equity Shares on Stock Exchanges at

- i) The Calcutta Stock Exchange Association Ltd. 7, Lyons Ranje, Kolkata - 700 001
- ii) The Stock Exchange, Mumbai, P J Towers, Dalal Street, Fort, Mumbai-400001

f) Listing Fees :

Listing Fees for the year 2004-2005 have been paid to the above Stock Exchanges.

g) Depositories :

- i) National Securities Depository Ltd.
Trade world, Kamala Mills Compound, Lower Parel, Mumbai - 400 003
- ii) Central Depository Services (India) Ltd.
P J Towers, 28th Floor, Dalal Street, Fort, Mumbai-400 023

h) Stock Code :

Stock Exchanges	Stock Code
The Calcutta Stock Exchange Association Ltd.	011066
The Stock Exchange, Mumbai	531881

i) Market Price Date :

The Market Price of the Equity Shares of the Company during 2004-2005 is given in the table below :



Months	BSE		CSE
	High	Low	
April 2004	7.50	6.11	Not traded
May 2004	12.52	6.19	
June 2004	11.99	8.81	
July 2004	12.40	12.40	
August 2004	10.00	8.00	
September 2004	20.25	8.65	
October 2004	14.50	11.00	
November 2004	16.65	9.82	
December 2004	25.00	13.25	
January 2005	40.05	22.00	
February 2005	48.60	29.95	
March 2005	38.95	29.50	

j) Registrar and Share Transfer Agents :

Niche Technologies Private Limited,
D-511, Bagree Market, 71, B. R. B. Basu Road,
Kolkata - 700 001
Phone : +91-33-22357271/7270
Fax : +91-33-22156823
E-mail : nichetechpl@nichetechpl.com

k) Share Transfer System :

Application for Transfer of shares held in physical form are received at the office of the Registrar & Share Transfer Agents. The Committee of Directors attend to share Transfer formalities as and when required depending upon the requirements. Share held in dematerialised form are traded electronically in the Depository. The RTA of the company periodically receives from the Depository, the beneficial holding so as to enable them to update their records and to send all corporate communications to the beneficial owners of the shares.

Physical shares received for dematerialisation are processed and computerised within a period of fifteen days from the date of receipt, provided they are found in order in every respect. Bad deliveries are immediately returned to the respective Depository Participant under advice to the shareholders.



l) Shareholding Pattern as on 31st March 2005 :

Category	No. of Shares	% of Holding
Promoters & persons Acting in Concert	1967953	65.592
Financial Institutions, Banks, Mutual Funds, etc.	Nil	Nil
FIs	Nil	Nil
Indian public (incl. Private Corporate Bodies)	1032145	34.401
NRIs	1	Nil
Clearing Members	201	0.007
Total	3000300	100

m) Distribution of Shareholding as on 31st March 2005

Shareholding Range	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholding
1 — 500	1180	94.099	35273	1.176
501 — 1000	22	1.754	17915	0.597
1001 — 5000	15	1.196	34527	1.151
5001 — 10000	9	0.718	66671	2.222
10001 — 50000	16	1.276	329165	10.971
50001 — 100000	1	0.080	55900	1.863
100001 — and above	11	0.877	2460849	82.020
Total	1254	100	3000300	100

n) Dematerialisation of Shares and Liquidity :

About 1636032 Shares constituting 54.54% of the shares have been dematerialised as on 31st March 2005. The Equity Shares of Company are actively traded in Stock Exchanges.

o) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion date and likely impact on equity : Nil

p) Plant Location :

E-226, RIICO Industrial Area, Bagru Extn, Bagru, Jaipur - 303007

q) Address for correspondence :

15, Ganesh Chandra Avenue
2nd Floor, Kolkata - 700 013

Place : Kolkata

Dated the 31st day of August 2005

For and on behalf of the Board

R. C. Bajoria
Chairman



**AUDITOR'S CERTIFICATE ON COMPLIANCE OF
CORPORATE GOVERNANCE CODE**

To the Members of
M/S. Arvind Chemicals Ltd.

1. We have reviewed the implementation of Corporate Governance procedures by M/s Arvind Chemicals Ltd. during the Year ended 31st March, 2005 with relevant records and documents maintained by the company furnished to us for our review and report on the Corporate Governance as approved by Board of Directors.

The compliance of the conditions of corporate governance is the responsibility of the management. Our review was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

2. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.
3. On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing Agreement with the Stock Exchanges have been complied with in all material respect by the Company.

For B. Singhal & Co.
Chartered Accountants

Sd/-

(Manoj Agarwal)

Partner

Place : Kolkata
Date : 31.08.05



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERALL REVIEW :

INDUSTRY STRUCTURE AND DEVELOPMENTS :

MANUFACTURING DIVISION :

The Polyurethane foam industry in India is quite unorganized with limited number of organized players. Though there has been consistent growth in the PU foam industry in India, the per capita consumption is still among the lowest in the world as compared to developed and developing countries. With the growing Indian Economy and huge thrust on the growth of infrastructure sector by the Indian Government, the PU Foam industry is likely to post much better growth rates in the coming years. Further, with the improving purchasing power of the Indian consumers and the growing awareness of the consumers for use of PU Foam as against the traditional usage of rubber foam and other materials, the demand for PU Foam is expected to increase substantially. With the continuous improvements in the conditions of the PU Foam industry, the products available are expected to become cheaper and more affordable with better quality standards.

ACL is an established and one of the leading manufacturers of PU Foam in India. The Company's products are very well accepted in the market. Further, the proximity of the company's manufacturing units to the most prominent markets in the northern part of the country has greatly helped the company to effectively compete with other established manufacturers in the country.

The company continues to examine and explore other markets and segments to enlarge its operations and attain growth in consonance with the changing needs of the customers.

TRADING DIVISION :

The Company trades in coke. Coke is a derivate of coking coal. It is the main source of heat and is also the reducing agent required to facilitate the conversion of metallurgical ores into metal during the smelting process. Coke has a huge demand in Steel industry, Cement industry , pit furnaces for small castings and gas producers among others. Coke has a huge demand globally and also in India, which is on the rise considering the fact that there is a global shift of Steel making from the developed to the developing countries and India is fast emerging as the chosen destination.

OPPORTUNITIES & THEREATS :

MANUFACTURING DIVISION :

The product of the company constitutes polyurethane foam which is extensively used in the Transport, Automobile, Packaging, Electronics, Garments, Leather, Shoes and Furniture Industries. With the increase in industrial activities in the country, the demand for Polyurethane Form is expected to increase which may result in better price realization for final products. With the improvement in per capita income and life style of Indian customers, demand for flexible PU Foam is expected to increase substantially. Increased penetration of products in rural and semi-urban markets will directly benefit the company. There are certain states in India where the opportunity for growth is high. The company will leverage this opportunity by various marketing initiatives such as brand building, restructuring dealers and introduction of new products.

The products of the company being material intensive which constitutes about 90% of its cost of production, the profitability of the company depends on the movement of the prices and availability of the raw materials. The company imports substantial part of its raw material requirement and any change in regulatory norms or foreign exchange fluctuations may result in an increase in manufacturing costs, which in turn, may affect margins or demand in a highly competitive and price sensitive situation. The company operates in a globally competitive business



environment. The entry of new players has made the market more competitive affecting the margins of all participants. The company is countering this threat by a stronger focus on reducing costs, increasing efficiency of operations and better quality.

TRADING DIVISION :

There is a huge gap between the Demand and Supply of Coke, and hence the company seeks to realize better prices with the continuous growth in steel sector.

RISKS & CONCERNS

Various economic factors such as interest rates, import duties and taxes on finished products, foreign exchange rate could have an effect on the company's operations. The adverse market conditions and severe competition from old and established players coupled with rising input costs are the main concerns of the company.

Outlook.

Material development in Human Resources / Industrial Relations

Internal control Systems.

Discussing on financial performance with respect to operational performance.



AUDITORS' REPORT

TO THE MEMBERS OF

ARVIND CHEMICALS LIMITED

We have audited the attached Balance Sheet of M/S. ARVIND CHEMICALS LIMITED, as at 31st March, 2005 and also the Profit and Loss Account for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit ;
- ii. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books ;
- iii. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account ;
- iv. In our opinion, the Balance Sheet , Profit & Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable;
- v. On the basis of written representation received from the directors, as on 31st March, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2005 from being appointed as a director in terms of clause (g) of sub section-(1) of section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;
 - b) In the case of the Profit & Loss Account, of the Profit for the year ended on that date;

46, B. B. Ganguly Street
Room No. 1, First Floor
Kolkata - 700 012
Dated : 31st August, 2005

For **B. SINGHAL & CO.**,
Chartered Accountants
M. K. AGRAWAL
Partner
Mem. No. 300/56259



AUDITORS' REPORT (Contd.)

Annexure Referred to in paragraph 3 of our Report of even date on the Accounts of ARVIND CHEMICALS LIMITED for the year ended 31st March, 2005

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
 - (b) As explained to us, these fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.
 - (c) As explained to us, no fixed assets have been disposed off during the year.
- ii) (a) The company has conducted the physical verification of inventory at the year end only.
 - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) In our opinion, the company is maintaining proper records of inventory and discrepancies noticed on physical verification as compared to book records were not material & the same has been properly dealt within the books of account.
- iii) As explained to us, the Company has not granted nor taken or granted any unsecured loan from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Hence provisions of clause (iii) are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control.
- v) a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b) As informed to us and on the basis of our examination of books of account, since there were no transactions exceeding value of Five Lakh ruples in respect of any party, Comment on Clause (v) (b) of the order does not arise.
- vi) During the year, the Company has not accepted deposits from public and as such compliance of provisions of section 58A and 58AA of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules 1975 does not arise.
- vii) In our opinion, the company has an adequate internal audit system commensurate with the size of the company and the nature of its business.
- viii) As explained, maintenance of cose records has not been prescribed by the Central Government under clause (d) of sub-section (1) of Section 209 of the Act.
- ix) a) According to the records of the company, the company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess. There is no amount outstanding as at 31.03.2005 for more than six months from the date they become payable.
 - b) According to the information and explanations given to us, there are no disputed dues of sales tax/custom duty, wealth tax or excise duty as on 31.03.2005.



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- x) The Company has no accumulated losses and it has also not incurred cash losses in such financial year covered by our audit and the immediately preceding financial year.
 - xi) As explained to us and according to the records of the Company, it has not defaulted in the repayment of dues to financial institutions or Bank. The Company has no amount due to debenture holders during the year.
 - xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 - xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, the provisions of clause (xiii) of the said order are not applicable to the Company.
 - xiv) As explained to us, the company has maintained proper records and all the transactions and contracts relating to it have been properly entered into.
 - xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
 - xvi) As explained to us, the working capital term loan taken by the company has been properly applied during the year.
 - xvii) According to the information and explanations given to us, the Company has not used funds raised on short-term basis for long term investment and vice versa.
 - xviii) The Company has not made any allotment of shares during the year, hence the clause (xviii) of the order is not applicable.
 - xix) There were no debentures issued by the Company and hence question of creating security does not arise.
 - xx) The Company has not raised any money by public issue during the year and hence the question of disclosure and verification of end use of such money does not arise.
 - xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

46, B. B. Ganguly Street
1st Floor, Room No. 1
Kolkata 700 012
Dated : 31st August, 2005

For **B. SINGHAL & CO.**
Chartered Accountant
(M. K. Agrawal)
Partner.
(Mem. No 300/56259)



Balance Sheet as at 31st March, 2005

	Schedule	As at 31-3-2005	As at 31-3-2004
SOURCES OF FUNDS :			
SHAREHOLDERS' FUNDS			
Share Capital	I	291.43	253.39
Reserves & Surplus	II	356.95	282.19
LOAN FUNDS			
Secured Loan	III	197.67	190.07
Unsecured Loan	IV	1169.10	63.10
DEFERRED TAX LIABILITY		50.29	47.76
(Refer Note No. 4 of XIX)			
		<u>2065.44</u>	<u>836.51</u>
APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block	V	318.49	312.68
Less : Depreciation		64.60	53.86
Net Block		<u>253.89</u>	<u>258.82</u>
INVESTMENTS	VI	382.14	148.33
CURRENT ASSETS, LOANS & ADVANCES			
a) Inventories	VII	1198.44	24.95
b) Sundry Debtors	VIII	133.71	999.48
c) Cash & Bank Balances	IX	40.90	134.09
d) Loans & Advances	X	557.03	445.71
e) Interest Accrued But Not Due		—	3.25
		<u>1930.08</u>	<u>1607.48</u>
LESS : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	XI	491.11	1171.00
Provision for Taxation		13.41	12.25
NET CURRENT ASSETS		<u>1425.56</u>	<u>424.23</u>
MISCELLANEOUS EXPENDITURE	XII	3.85	5.13
TOTAL		<u>2065.44</u>	<u>836.51</u>
NOTES ON ACCOUNTS			
Balance Sheet Abstract and business profile	XX		
(As per our separate report of even date attached hereto)			

For **B. SINGHAL & CO.**

Chartered Accountants

M. K. AGRAWAL

Partner

Date : 31ST August, 2005

PAYAL KEJRIWAL
Company Secretary

S. L. KHANDELWAL
Director

R. C. BAJORIA
Chairman



PROFIT & LOSS A/C for the year ended 31st March 2005

	Schedule	Year ended 31-3-2005	Year ended 31-3-2004
(Rs. in Lacs)			
INCOME			
Coke Sale		226.67	2946.87
Chemicals Sales (High Seas)		75.47	-
Sales & Services	533.91		
Less Excise Duty	<u>74.51</u>	459.40	323.49
Other Income	XIII	69.80	9.14
Closing Stock		1163.37	13.12
	Total A	<u>1995.71</u>	<u>3292.62</u>
EXPENSES :			
Opening Stock		13.12	6.31
Coke Purchases		226.67	2918.83
Chemicals Purchases		197.98	-
Shares Purchases		1009.98	-
Raw Materials consumed	XIV	425.13	273.20
Manufacturing Expenses	XV	11.14	7.34
Stores & Spares consumed		0.33	0.66
Repairs & Maintenance	XVI	2.80	1.69
Administrative & Other Expenses	XVII	28.41	34.33
Interest	XVIII	25.60	19.55
Depreciation		14.14	14.56
	Total B	<u>1955.30</u>	<u>3276.47</u>
Profit before Taxation (A-B)		40.40	16.15
Less : Provision for Taxation		1.16	1.56
— Provision for deferred Taxation		2.53	4.23
		<u>3.69</u>	<u>5.79</u>
(Refer Note No.6 of Notes on Accounts)			
Profit After Taxation		36.71	10.36
Add. Amount Brought Forward From Last Year		115.40	105.04
Balance carried to Balance Sheet		<u>152.11</u>	<u>115.40</u>
NOTES ON ACCOUNTS	XIX		
(As per our separate report of even date attached hereto)			

For **B. SINGHAL & CO.**

Chartered Accountants

M. K. AGRAWAL

Partner

Date : 31ST August, 2005

PAYAL KEJRIWAL

Company Secretary

S. L. KHANDELWAL

Director

R. C. BAJORIA

Chairman



CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2005

PARTICULARS	Year ended	
	31-3-2005	31-3-2004
	(Rs. in Lacs)	
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before taxes & extraordinary items	40.40	16.15
Adjustments for :		
Depreciation	14.14	14.56
Share issue expenses written off	1.28	1.28
Interest Income	(8.18)	(5.18)
Liabilities w/back	-	(0.48)
Miscellaneous Income	(0.06)	(0.15)
Profit on Sale of Invesments	(61.54)	-
(Profit)/Loss on sale of Fixed assets	4.50	(3.12)
	<u>(49.87)</u>	<u>6.91</u>
Operating Profit before working Capital Changes	9.46	23.06
Adjustment for :		
(Increase) in Trade & Other Receivables	752.99	(749.23)
(Increase)/Decrease in Inventories	(1173.49)	(6.77)
Increas/(Decrease) in Trade & Other Payable	(679.89)	828.62
	<u>(1100.40)</u>	<u>72.62</u>
Cash used for oeptrations	<u>(1109.86)</u>	<u>95.68</u>
Direct Taxes paid (Including TDS)	4.72	10.41
Net cash used In Operating Activities	<u>(1105.14)</u>	<u>106.09</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(18.79)	(3.15)
Sale of Fixed Assets	5.08	30.74
Miscellaneous Income	0.06	0.15
Sale of Invesments	172.28	-
Interest received (Gross)	8.18	5.18
	<u>177.74</u>	<u>32.92</u>
Net cash from Investing Activities		
C. CASH FLOWS FROM FINANCING ACTIVITIES :		
Proceeds from issuance of Share Capital & Share Premium	76.10	-
Proceeds from Long Term Borrowings	7.60	38.22
Proceeds from Short Term Borrowings/Finances	1,106.00	(138.73)
	<u>1,189.70</u>	<u>(100.51)</u>
Net Increase In Cash & Cash Equivalent		
Cash & Bank Balance (Opening Balance)	134.09	95.59
Cash & Bank Balance (Closing Balance)	<u>40.90</u>	<u>134.09</u>
	<u>(93.19)</u>	<u>38.50</u>

Note: 1. Above figures showing brackets/non-brackets indicate cash outflow & inflow respectively.
2. Above figures are rounded off to the nearest of rupee.

For **B. SINGHAL & CO.**

Chartered Accountants

M. K. AGRAWAL

Partner

Date : 31ST August, 2005

PAYAL KEJRIWAL

Company Secretary

S. L. KHANDELWAL

Director

R. C. BAJORIA

Chairman



Schedules

	Year ended 31-3-2005	Year ended 31-3-2004
	(Rs. in Lacs)	
SCHEDULE - 1 : SHARE CAPITAL		
AUTHORISED :		
70,00,000 Equity Shares of Rs. 10/- each	700.00	700.00
ISSUED, SUBSCRIBED AND PAID-UP :		
30,00,300 Equity Shares of Rs. 10/- each		
Fully paid-up in cash (except 50000 shares of Rs. 10/- each issued other than in cash)	<u>300.03</u>	<u>300.03</u>
	300.03	300.03
Less : Calls-in Arrears	<u>8.59</u>	<u>46.64</u>
	<u>291.44</u>	<u>253.39</u>
SCHEDULE - II : RESERVES & SURPLUS		
Capital Subsidy B/F	0.11	0.11
Share Premium Account	213.32	
Less : Calls-in Arrears	<u>8.59</u>	
Profit & Loss Account (As per account annexed)	<u>152.11</u>	<u>115.40</u>
	<u>356.95</u>	<u>282.19</u>
SCHEDULE-III : SECURED LOAN		
From Rajasthan Financial Corporation		
A) Term Loan	114.69	110.55
Add : Interest accrued but not due	—	3.90
B) Working Capital Term Loan	21.71	27.52
Add : Interest accrued but not due (Secured by way of equitable mortgage of Land, Building & hypothecation of Plant & machinery & current assets & personally guaranteed by the directors & their relatives.	—	0.62
From Punjab National Bank		
Cash Credit Account (Secured by way of First Charge on current Assets & Collateral security by way of equitable mortgage of Factory Land & Building at Rajarhat, Kolkata and other assets & personally guaranteed by the directors & their relatives)	50.19	46.74
Hire Purchase Loans (Secured against the respective assets purchased)	<u>11.08</u>	<u>0.74</u>
	<u>197.67</u>	<u>190.07</u>
SCHEDULE-IV : UNSECURED LOAN		
From Body Corporate	1169.10	59.10
From Others	—	4.00
	<u>1169.10</u>	<u>63.10</u>



Schedules (Contd.)

SCHEDULE V : FIXED ASSETS

Particulars of Assets	Gross Block				Depreciation					Net Block	
	As on 01/04/04	Additions During the year	Deduction During the year	As on 31.03.05	As on 01.04.04	During the year	Deduction	Adjust Short (Excess)	As on 31.03.05	As on 31.03.04	
Freehold Land	11.11	-	-	11.11	-	-	-	-	-	11.11	11.11
Factory Building	51.64	1.03	-	52.67	7.71	1.71	-	-	9.42	43.25	43.93
Other Building	10.80	-	-	10.80	0.83	0.16	-	-	0.99	9.81	9.97
Plant & Machinery	208.33	3.19	12.98	198.54	35.41	9.60	3.40	-	41.61	156.93	172.92
D. G. Set	3.09	-	-	3.09	0.67	0.15	-	-	0.81	2.27	2.42
Laboratory Equipments	2.09	-	-	2.09	0.45	0.10	-	-	0.55	1.54	1.64
Electrical Installation	4.16	-	-	4.16	1.15	0.28	-	-	1.43	2.73	3.01
Fire Fighting Equipment	4.15	-	-	4.15	0.95	0.19	-	-	1.14	3.01	3.20
Furniture Fixture	1.02	0.22	-	1.24	0.32	0.07	-	-	0.39	0.85	0.70
Computer	2.82	-	-	2.82	2.42	0.28	-	-	2.69	0.13	0.41
Motor Vehicle	11.28	14.35	-	25.63	3.37	1.50	-	-	4.87	20.76	7.91
Air Conditioner	1.29	-	-	1.29	0.45	0.06	-	-	0.52	0.78	0.87
Office Equipments	0.89	-	-	0.89	0.12	0.04	-	-	0.17	0.72	0.77
Total	312.68	18.79	12.98	318.49	53.85	14.14	3.40	-	64.59	253.90	258.82
Previous Year	339.71	3.15	3.18	312.68	41.86	14.56	2.56	-	53.85	258.82	297.84



Schedules (Contd.)

	Face Value	Numbers	As at 31-3-2005	As at 31-3-2004
SCHEDULE - VI : INVESTMENTS (AT COST)				
A) QUOTED				
In fully paid up Equity Share (Non Trade) (At cost)				
Arvind International Ltd.	10	355,500 (355,500)	38.03	38.03
Fast Capital Growth Ltd.	10	305000 (192,500)	213.96	22.22
Gujarat NRE Coke Ltd.	10	83,683 (25,100)	87.18	1.76
Interstate Oil Carriers Ltd.	10	112,400 (112,400)	11.24	11.24
B) UN-QUOTED				
In Fully paid up Equity/Preference Share (Non Trade) (At Cost)				
Apama Polyproduct Ltd.	10	22,650 (22,650)	2.49	2.49
Kaizen Organics Private Ltd.	10	14,250 (14,250)	1.75	1.75
Marley Foods Pvt. Ltd.	10	37,500 (37,500)	3.60	3.60
Matangi Traders & Investments P Ltd	10	-- (79,000)	--	7.77
Rohit Polyproducts Private Ltd.	10	238,900 (238900)	23.89	23.89
Arvind Coir Foam Pvt. Ltd.	10	-- (354500)	--	35.45
			382.14	148.20
In Fully Paid up Debentures (NCD)(Non Trade)(At Cost)				
Gujarat NRE Coke Ltd.	0	--	--	0.13
	(-5)	(2,500)	--	0.13
Aggregate Book Value of Quoted Investments			350.41	73.38
Aggregate Book Value of Un-Quoted Investments			31.73	74.95
			382.14	148.33
Aggregate Market Value of Quoted Investments			378.18	39.44



Schedules (Contd.)

	As at 31-3-2005	As at 31-3-2004
(Rs. in Lacs)		
SCHEDULE - VII : INVENTORIES		
(As certified by the management)		
Stock of Raw Materials (At Cost)	35.07	11.67
Stock of Chemicals (At Cost)	123.48	—
Stock of Finished Goods (At Cost or Market Value whichever is lower)	26.17	9.89
Stock of WIP (At Cost)	3.75	3.23
Stock of Shares (At Cost)	1009.97	—
Stock of Stores & Spares (At Cost)	—	0.16
	<u>1198.44</u>	<u>24.95</u>
SCHEDULE - VIII : SUNDRY DEBTORS		
(Unsecured, considered good)		
Debts Outstanding for a period Exceeding six months		
- Considered Good	19.35	14.87
- Considered Bad & Doubtful	3.95	3.95
Less than six months	<u>114.35</u>	<u>984.61</u>
	137.65	1003.43
Less Provision for Bad Debts	<u>3.95</u>	<u>3.95</u>
	<u>133.70</u>	<u>999.48</u>
SCHEDULE - IX : CASH & BANK BALANCES		
Cash in hand (As certified)	7.09	19.57
Balances with scheduled Banks In Current accounts	0.24	0.49
Balance in Fixed deposit A/C (Receipts Lodged with Bank)	33.57	114.03
	<u>40.90</u>	<u>134.09</u>
SCHEDULE - X : LOANS & ADVANCES		
(Unsecured considered good)		
Loans	368.66	—
Share Application Money Refundable	21.29	21.29
Advance to Suppliers & Others	133.34	391.31
Income Tax Deducted at Source	9.26	8.03
I. Tax Refundable	0.21	0.21
Income Tax Paid	14.05	10.55
Security Deposit	1.91	1.91
Prepaid Expenses	1.46	0.16
Staff Advances	0.20	0.40
Balances with Excise (Including CENVAT Balances)	0.65	5.85
Excise Duty refund receivable	6.00	6.00
	<u>557.03</u>	<u>445.71</u>
SCHEDULE - XI : CURRENT LIABILITIES		
Temporary Overdraft with Schuduled Banks in Current Accounts	27.58	—
Sundry Creditors :		
For Expenses	5.48	4.31
For Goods & Others	445.50	1124.44
For Machinery	12.06	15.75
Excise Cess Payable	0.01	—
Advance From Customers	0.48	26.50
	<u>491.11</u>	<u>1171.00</u>



Schedules (Contd.)

	As at 31-3-2005	As at 31-3-2004
	(Rs. in Lacs)	
SCHEDULE-XII : MISCELLANEOUS EXPENDITURE		
(To the extent not w/off or adjusted)		
Share Issue Expenses	3.85	5.13
	<u>3.85</u>	<u>5.13</u>
SCHEDULE-XIII : OTHER INCOME		
Interest (Gross) (TDS-122594/- Pr. Year 105,499/-)	8.18	5.18
Liabilities written back	0.02	0.48
Subsidy received	-	0.21
Miscellaneous Income	0.06	0.15
Profit on sale on Investments	61.54	-
Profit on sale of Plant & Machinery	-	3.12
	<u>69.80</u>	<u>9.14</u>
SCHEDULE-XIV : RAW MATERIAL CONSUMED		
Opening Stock of Raw Material	11.67	10.45
Add: Purchase (Net of Return)	450.41	280.84
Freight Inward	0.89	0.69
	<u>462.97</u>	<u>291.98</u>
(A) Closing Stock of Raw Material	35.07	11.67
Add : Sale of Raw Material	2.77	7.11
	<u>37.84</u>	<u>18.78</u>
(B) Raw Material Consumed (A-B)	<u>425.13</u>	<u>273.20</u>
SCHEDULE-XV : MANUFACTURING & OTHER EXPENSES		
Labour Wages	3.20	2.46
Electricity Charges	1.53	1.63
Generator Fuel Expenses	0.40	0.13
Water Charges	0.04	0.03
Stitching Charges	4.79	2.49
Pasting Charges	0.82	0.05
Quilting Expenses	0.36	0.55
	<u>11.14</u>	<u>7.34</u>
SCHEDULE - XVI : REPAIRS & MAINTENANCE		
To Plant & Machinery	1.89	0.46
To Building	0.25	-
To Others	0.67	1.23
	<u>2.81</u>	<u>1.69</u>



Schedules (Contd.)

	As at 31-3-2005	As at 31-3-2004
	(Rs. in Lacs)	
SCHEDULE-XVII : ADMINISTRATIVE & OTHER EXPENSES		
Salaries, Wages, Bonus	1.46	2.25
Contribution to PF & Other Funds	0.67	0.50
Staff Welfare Expenses	0.06	0.07
Rent & Maintenance	0.09	0.08
Insurance Charges	0.51	0.95
Rates & Taxes	0.39	0.37
Auditors Remuneration		
– As Audit & Tax Audit Fees	0.17	0.16
– In other capacity	-	0.05
– As Internal Audit Fees	0.08	0.08
Electric Charges	0.25	0.25
Bank Charges	0.60	0.85
Bank Finance Charges & LC charges	3.20	14.72
Travelling & Conveyance Expenses	0.16	0.65
General Expenses	0.04	0.14
Motor Car Expenses	3.00	1.30
Postage & Telegram	0.06	0.01
Printing & Stationery	3.02	0.25
Legal, Professional & Service Charges	0.68	1.57
Telephone Expenses	0.52	0.94
Hire Purchase Charges	0.37	0.76
Listing Fees	0.10	0.21
Filing Fees	0.02	0.03
Advertisement Expenses	0.05	0.17
Sales Promotion	6.30	1.03
Loss on Sale of Fixed Assets	4.50	-
Loan Processing Fee	-	0.78
Share Issue Expenses written off	1.28	1.28
Prior Period Expenses	0.07	0.77
Bad Debts	-	3.95
Discount Expenses	0.13	0.07
Service Charges	0.03	0.10
Miscellaneous Expenses	0.52	-
ISO Expenses	0.08	-
	28.41	34.33
SCHEDULE - XVIII : INTEREST		
To Bank		
– On Term Loan	15.10	9.67
– On W/C Loan	4.00	3.97
– On Cash Credit	5.04	5.91
To Other	1.46	-
	25.60	19.55



Schedules (Contd.)

SCHEDULE - XIX : NOTES TO THE ACCOUNTS

1. Depreciation has been provided on Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956.

Product	Current Year 31-03-2005		Previous Year 31-03-2004		
	Unit	Quantity	Amount (Rs. in lacs)	Quantity	Amount (Rs. in lacs)
A. FINISHED GOODS :					
1. FOAM MATTRESS (In Pcs.)					
Licensed Capacity		N.A.	N.A.	N.A.	N.A.
Installed Capacity (In Pcs.)		60,000	N.A.	60,000	N.A.
Opening Stock		708	6.04	266	1.83
Production during the year		20088	Not Ascertainable	9934	Not Ascertainable
Sales during the year		19279	166.67	9492	85.35
Closing Stock		1517	14.34	708	6.04
2. FOAM (In Kgs)					
Opening Stock		3220	3.39	1655	1.43
Production/Transfer during the year		312518	Not Ascertainable	204738	Not Ascertainable
Sales during the year		305892	278.69	202702	202.72
Issue for Mattress	Not Ascertainable		Not Ascertainable	470	Not Ascertainable
Closing Stock		9847	11.10	3220	3.39
3. SOFA CUM BED /WONDER POUCH (In Pcs.)					
Opening Stock		-	-	0	-
Production/Transfer during the year		20	Not Ascertainable	2	Not Ascertainable
Sales During the year		20	0.67	2	0.07
Closing Stock		-	-	-	-
4. PILLOWS (In Pcs.)					
Opening Stock		2720	0.47	1820	0.27
Production/Transfer during the year		32309	Not Ascertainable	11152	Not Ascertainable
Sales During the year		31955	12.88	10252	1.55
Closing Stock		3074	0.73	2720	0.47
B. Raw Material Consumed (100% Indigenous)					
Opening Stock of Raw Material			11.67		10.45
Add : Purchases (Net)			450.41		280.84
Freight Inwards			0.89		0.69
	A		<u>462.97</u>		<u>291.98</u>
Less : Closing Stock of Raw Material			35.07		11.67
Sale of Raw Material	B		2.77		7.11
			<u>37.84</u>		<u>18.78</u>
Raw Material Consumed (A-B)			<u>425.13</u>		<u>273.20</u>



Schedules (Contd.)

C. Quantative Information In respect of Coke/Waste Coal

		Current Year	Previous Year
Opening Stock	Qty. (MT)	-	-
	Rs. in Lacs	-	-
Add: Purchases	Qty. (M/T)	1,952.74	37,388.62
	Rs. in Lacs	226.67	2,918.83
Less : Sales	Qty. (M/T)	1,952.74	37,388.62
	Rs. in Lacs.	226.67	2,946.87
Closing Stock	Qty. (M/T)	-	-
	Rs. in Lacs	-	-

D. Quantative Information In respect of Shares

		Current Year	Previous Year
Opening Stock	Qty. (Nos.)	-	-
	Rs. in Lacs	-	-
Add: Purchases	Qty. (Nos.)	712566	-
	Rs. in Lacs	1009.98	-
Less : Sales	Qty. (Nos.)	-	-
	Rs. in Lacs	-	-
Closing Stock	Qty. (Nos.)	712566	-
	Rs. in Lacs	1009.98	-

E. Quantative Information In respect of Chemicals

		Current Year	Previous Year
Opening Stock	Qty. (M/T)	-	-
	Rs. in Lacs	-	-
Add: Purchases	Qty. (M/T)	224.00	-
	Rs. in Lacs	197.98	-
Less : Sales	Qty. (M/T)	90.40	-
	Rs. in Lacs	76.47	-
Closing Stock	Qty. (M/T)	133.60	-
	Rs. in Lacs	123.48	-



3) Income & Expenditure In Foreign Currency

	Current Year Rs. in Lacs	Previous Year Rs. in Lacs
1. Income		
F O B Value of Exports	Nil	Nil
2. Expenditure		
Capital Expenditure	Nil	Nil
Chemicals Import	193.22	Nil

4) Deferred Taxation

Deferred Taxation liability has been provided in accordance with the Accounting Standard 22 in respect of accounting for Taxation on income as issued by Chartered Accountants of India. The Break up of the deferred tax liability is :

	Upto Period 31.03.2005 (Amount in '000)	Upto Period 31.03.2004 (Amount in '000)
In respect of timing difference on account of -		
-Depreciation (Deferred Tax Liability)	<u>5,029</u>	<u>4,776</u>

5) Earnings Per Share (EPS)

	(Amount Rs.) 2004-05	Amount (Rs.) 2003-04
Earnings Per Share has been computed as under :		
a) Profit After Taxation	3,671,290	1,035,785
b) Total No. of Shares outstanding	3,000,300	3,000,300
c) Earnings Per Share		
- Basic	1.22	0.35
- Diluted	1.26	0.41

6) Segment reporting

The company's operations predominantly relate to manufacturing of Foam & Mattresses and trading activities of Coke. The accounting principles consistently used in the preparations of the financial statements are applied to record income & expenditure in individual segments.

Income & direct expenses in relation to segments is categorized based on items that are individually identifiable to that segment, while the remainder of the costs are categorized in relation to the associated turnover of the segment. Certain expenses such as Administrative & selling expenses, which form a significant component of the total expenses, are not specifically allocable to specific segment as the underlying services



Schedules (Contd.)

are used interchangeably. The company believes that it is not practical to provide segment disclosures relating to those costs & expenses and accordingly these expenses are separately disclosed as 'unallocated' and directly charged against total Income.

Business Segments for the year Ended 31/3/2005

(Figures in Lac)

Particulars	Manufacturing	Trading	TOTAL
Revenues	540.03	292.30	832.33
Less:			
Identified Operating Expenses	520.62	231.58	752.20
Interest	19.10	6.50	25.60
Depreciation	14.10	0.03	14.13
SEGMENTAL OPERATING INCOME	(13.79)	54.19	40.40
Net Profit before taxes			40.40
Taxes Provision (Including Deferred Taxation)			3.69
Net Profit after taxes			36.71

Note : Manufacturing Activities include related jobbing activities done during the year.

7) Related Party Disclosures

Related Party Disclosures, as required by AS-18 as issued by The Institute Of Chartered Accountants of India :-



Schedules (Contd.)

I. Relationships :

- i) Controlling Group/Other related parties where common control exists :-
 - a) Arvind International Limited
 - b) Aparna Polyproduct Ltd.
 - c) Arvind Coirfoam (P) Ltd.
 - d) Sri R. C. Bajoria
 - e) Sri Arvind Bajoria
- ii) Key Management Personnel :-
 - Sri R. C. Bajoria

II. The following Transactions were carried out with the related parties in the ordinary course of business :

	AIL Ltd.	Aparna Polyproduct Ltd.	Arvind Coirfoam Pvt. Ltd.
Sales/Service Charges	6,252,400	937,579	360,748
Purchases of goods & Materials	45,921,074	1,778,245	354,547

Note : No amount has been written off during the year in relation to related party disclosures.

III. Closing Balances :	Arvind International Ltd.	Arvind Coirfoam Pvt. Ltd.
	170.99 Lacs	0.48 Lacs (Credit)

08. Figures in brackets relates to previous year.

09. Previous year's figures are regrouped & rearranged wherever necessary.

10. Parties balances are subject to confirmation.

11. Significant Accounting Policies :

- i) Fixed Assets : Fixed assets have been stated at acquisition cost less depreciation. However the Sales value has been deducted from the Gross Block in absence of actual cost & depreciation thereof as the same were transferred from erstwhile partnership firm.
- ii) Investments : Investments are stated at cost.
- iii) Depreciation : Depreciation has been provided on Straight Line Method
- iv) Inventories : Finished Goods has been valued at cost or net realisable value which ever is lower, Raw Material & Stock of Stores & Spares are valued at cost. Chemicals Stock is stated at cost.
- v) Revenue & Expenditure are recognised on accrual system of accounting.



Schedules (Contd.)

12. Information Pursuant to Part IV of the Schedule VI of the Companies Act, 1956

BALANCE SHEET AND COMPANY'S GENERAL BUSINESS PROFILE

(In terms of amendment of Schedule VI, Part IV)

I. Registration Details

Registration No. 054815 State Code No. 21
Balance Sheet Date 31/03/2005

II. Capital Raised During the Year (Rs. In '000)

Public Issue Nil Bonus Issue Nil
Rights Issue Nil Private Placement Nil

III. Position of Mobilisation and Deployment of Funds (Rs. In '000)

TOTAL LIABILITIES 206,544 TOTAL ASSETS 206,544

Sources of Funds

Paid-up Capital 29,144 Reserves & Surplus 35695
Secured Loan 19,767 Unsecured Loans 116,910

Application of Funds

Net Fixed Assets 25,390 Investments 38,214
Net Current Assets 142,555 Misc. Expenditure 385
Accumulated Losses NIL

IV) Performance of The Company

Total Income 199,571 Total Expenditure 195,530
Profit Before Tax 4,040 Profit after Tax 3,671
Earnings Per Shares 1.22 Dividend Rate Nil

(For Rs. 10/- paid up)

V) Generic Names of three products/services of the company

Item code No. Not Applicable
Product Description Dealings in Coke/Coal
Manufacturing of Foam Mattresses etc.

For B. SINGHAL & CO.

Chartered Accountants

M. K. AGRAWAL

Partner

46, B. B. Ganguly Street

1st Floor, Room No. 1

Kolkata - 700 012

Date : 31ST August, 2005

PAYAL KEJRIWAL
Company Secretary

S. L. KHANDELWAL
Director

R. C. BAJORIA
Chairman

ATTENDANCE SLIP

ARVIND CHEMICALS LIMITED

15, GANESH CHANDRA AVENUE, KOLKATA - 700 013

1. Full name of Share holder/Proxy
2. Registered Folio No.....No. of Shares
3. If proxy, full name of Shareholder

I, hereby record my presence at the 13th Annual General Meeting of the Company to be held at the Jhajharia Committee Room, 15B, Hemanta Basu Sarani, 2nd Floor, Kolkata - 700 001 on Wednesday, the 28th September, 2005 at 10.00 A. M.

(Signature of the Shareholder/Proxy)

IMPORTANT

This attendance slip must be handed over at the entrance of the Meeting Hall

PROXY

ARVIND CHEMICALS LIMITED

15, GANESH CHANDRA AVENUE, KOLKATA - 700 013

Registered Folio No.....No. of Shares

I/We of.....

being member/members of ARVIND CHEMICALS LIMITED hereby appoint

.....
of

or failing him

of

as my/our proxy to attend and vote for me/us, and on my/our behalf, at the 13th Annual General Meeting of the Company to be held on Wednesday, the 28th September, 2005 at 10.00 A. M. and at any adjournment thereof.

Signed this day of 2005

Signature(s) of the Shareholder(s)



Notes : This proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.

A Proxy need not be a Member of the Company

BOOK POST



If undelivered please return to :

ARVIND CHEMICALS LIMITED

15, GANESH CHANDRA AVENUE

KOLKATA - 700 013