



AksharChem (India) Ltd.

[Formerly Known as Audichem (India) Ltd.]

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**A N N U A L
R E P O R T
2 0 0 7 - 2 0 0 8**

BOARD OF DIRECTORS

Mrs. PARU M. JAYKRISHNA

CHAIRPERSON & MANAGING DIRECTOR

Prof. PRADEEP JHA

Mr. PRAFULCHANDRA V. PATEL

Mr. KIRAN J. MEHTA

Mr. GOKUL M. JAYKRISHNA

EXECUTIVE DIRECTOR

Mr. MUNJAL M. JAYKRISHNA

AUDITORS

M/s. TRUSHIT CHOKSHI & ASSOCIATES

REGISTRAR & SHARE TRANSFER AGENTS

PINNACLE SHARES REGISTRY PVT. LTD

BANKERS

STATE BANK OF INDIA

REGISTERED OFFICE & WORKS

166/169, INDRAD VILLAGE
KADI KALOL ROAD,
DIST. MEHSANA
GUJARAT — 382 727 (INDIA)

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NOTICE

Notice is hereby given that the 19th Annual General Meeting of the Members of **AKSHARCHEM (INDIA) LIMITED** will be held on 30th September, 2008 at the Registered Office situated at 166/169, Village Indrad, Kadi - Kalol Road, Dist: Mehsana, Gujarat, at 11.30 A.M. to transact the following business.

Ordinary Business

- 1) To receive, consider, approve and adopt the Audited Profit & Loss Account for the year ended 31st March, 2008 and the Audited Balance Sheet as at that date and the Director's and Auditor's report thereon.
- 2) To appoint a Director in place of Mr. Kiran J. Mehta who retires by rotation and is eligible for re-appointment.
- 3) To appoint a Director in place of Prof. Pradeep Jha who retires by rotation and is eligible for re-appointment.
- 4) To appoint Trushit Chokshi & Associates as auditors of the Company and fix their remuneration. Retiring auditors are eligible for re-appointment.

By the Order of the
Board of Directors

Sd/-

Place : Indrad, Mehsana

Gokul M Jaykrishna
Executive Director

Date : 26.08.2008

NOTES FOR MEMBERS ATTENTION

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. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED WITH THE COMPANY ATLEAST 48 HOURS PRIOR TO THE COMMENCEMENT OF THE MEETING.**
2. The relative explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of Special Business, if required, is annexed herewith.
3. The Register of Members and Share Transfer Books of the Company will remain close from 23rd September, 2008 to 30th September, 2008 (both days inclusive)
4. (a) Members are requested to notify immediately any change of address:
 - i) to their Depository Participants (DPs) in respect of their electronic share accounts; and
 - ii) to the Company or to its Share Transfer Agents in respect of their physical share folios, if any.
- (b) In case the mailing address on this Annual Report is without the PINCODE, Members are requested to kindly inform their PINCODE immediately
5. All documents referred to in the accompanying notice are open for inspection at the Registered Office.
6. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
7. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the Meeting.
8. For the convenience of members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an Attendance Slip, which is annexed to the Proxy Form. Members are requested to append their signatures at the place provided on the Attendance Slip and hand it over at the entrance.
9. The members can also avail facility of nomination in terms of extant legal provisions in this regard. On request, the necessary form will be supplied by the Registrar and Share Transfer Agents.
10. Members desirous of obtaining any information concerning accounts and operations of the Company are requested to address their questions in writing to the Company at least 7 days before the date of the Meeting so that the information required may be made available at the Meeting.
11. Pursuant to the Clause No. 49 of the Listing Agreement, profile of the directors proposed for appointment / re-appointment being given in a statement containing details of the concerned directors is attached hereto.

By the Order of the
Board of Directors

Sd/-

Place : Indrad, Mehsana
Date : 26.08.2008

Gokul M Jaykrishna
Executive Director

DIRECTORS REPORT, MANAGEMENT DISCUSSIONS & ANALYSIS

Dear Members,

The Directors have pleasure to present **NINETEENTH Annual Report** and Audited Accounts for the financial year ended on 31st March, 2008.

FINANCIAL RESULTS

Your Company's performance during the Financial Year 2007-08 is summarised below:-

	(Rs. in Millions)	
	For the year ended March 31, 2008	For the year ended March 31, 2007
Gross Income	495.910	352.429
Exports	401.730	279.587
Gross Profit	19.610	6.795
Depreciation	3.528	5.127
Provision for Taxation	7.442	1.590
Net Profit	8.640	0.078
Transfer to General Reserves	—	—
Dividend	—	—
Balance Carried to Balance Sheet	55.724	47.084

DIVIDEND

To conserve the resources, your directors do not recommend any dividend for the current financial year.

OPERATIONAL PERFORMANCE

The Gross Income for the year increased by 40.71% from Rs.352.429 million to Rs.495.910 million. The Net profit increased to Rs. 8.640 million as compared to previous year which was Rs. 0.078 millions.

MANAGEMENT DISCUSSION & ANALYSIS**INDUSTRY STRUCTURE AND DEVELOPMENT & OPPORTUNITIES:**

AksharChem is an acknowledged leader in the area of Vinyl Sulphone and is in a position to manufacture large volumes of this important building block in a wide range of Dyes forms. Overall, the Dyes & Intermediates industry is characterised by a high degree of fragmentation and the excess capacity thus created has resulted in aggressive competition resulting in pressure on its gross margins.

With chemicals getting commoditised, the need for cost efficiency is driving businesses to look at India as a global source of supplies with renewed interest. Given a favourable cost position, there will be increased opportunity for manufacture of many items from the developed countries to move to India.

With the ambitious growth prospects Indian chemical industry is aspiring to multiply total revenue from present \$ 28 billion to \$ 100 billion by 2010. Similarly, the Indian dyestuff industry can realistically aim to realise about 10 percent share of the world market in next five years and look forward for realizing US\$ 2 billion revenue by the year 2010. In the wake of these developments plenty of opportunities exist for positioning the industry to cater to the demand of growing domestic markets by modernizing the plant to cater to environmental relations and setting up of development facilities to offer research oriented performing products.

Availability of large pool of efficient technical manpower with excellent management skills presents a promising global opportunity for Indian industries. India can emerge as major player in global opportunity for Indian industries. India can emerge as major player in global markets providing cost effective quality products and reposition itself to provide solution, develop global scale of operations and compete with other suppliers like China.

The inherent strength of Aksharchem driven by its core value to create customer focused organisation and its experience of working together as partners in progress with its customers for over 15 years provides opportunity

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to the Company to position itself as a strong player in growing markets by leveraging its well-developed research and development facilities, technical manpower, support and reputation of being a quality conscious supplier.

THREATS, RISKS AND CONCERNS

Indian exports are suffering due to high cost of inputs and utilities, increasing cost of finance, unfavourable import duty, inefficient logistics & infrastructure, uneconomical size of operations and low focus to research and development activities. Improvement in competitive strength requires high degree of customization and world class services.

Moreover today almost all the businesses face a tangible threat from lower cost alternatives imported from China. Chinese products are highly competitive both on account of a better raw material cost position and economies of scale.

Price instance in the local market accompanied by the continuous escalation of raw material prices and input costs has relentlessly squeezed margins in the Dyes & Intermediates. The volatility of Rupee and the inequitable indirect duty structure are an additional cause for concern.

FUTURE OUTLOOK

The outlook is positive despite a very competitive environment Aksharchem is making all efforts to reduce its cost base to ensure that we do not lose our market share due to price resistance. Market trends indicate a change in usage pattern from moderate quality products to high performance ecologically safe pigments and intermediates. We will increasingly cater to segment that is more quality conscious this segment.

There is good opportunity for servicing large market domestic as well as abroad provided that the additional cost on account of higher crude oil prices and duties can be offset by the several internal cost saving measures that are being implemented.

Looking into increasing demand your Company has doubled the manufacturing capacity. Enhanced capacity has become operational in the month of March, 2008. The expansion project cost amounted to Rs. 8.42 Crore was financed out of internal accruals and unsecured loans. The Company has applied for Term Loan of Rs.4.5 Crore against this project to have enough liquidity for working capital requirements.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has effective internal control systems commensurate with the size of the Company. This is further supplemented by an internal audit being carried out by an external firm of Cost Accountants. The internal auditors conduct audits of the performance of various departments, functions and locations and also statutory compliances based on an annual audit plan. They report their observations/recommendations to the Audit Committee of the Board of Directors which comprises three non-executive Directors. The Audit Committee reviews the audit observations and follows up on the implementation of the suggestions and remedial measures and also recommends increased scope of coverage, if necessary.

CAUTIONARY STATEMENT

Statements in this Report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied, because of various factors like Government policy, competition, exchange rate fluctuations etc.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The Foreign Exchange Earnings of the Company from direct exports amounted to Rs. 401.730 million (previous year - Rs. 279.587 million). However during the period under review there was no outflow in the foreign exchange.

SAFETY AND ECOLOGY

Your Company continues to exercise persistent and meticulous efforts towards greener earth and environment conservation. The Company perseveres in its efforts to teach safe and environmentally accountable behaviour in every employee, as well as its vendors. Company is committed towards safety, not only of its own men and plants, but also of the society at large.

Safety records showed considerable improvement and Zero accident target is almost achieved. This was made possible by strict adherence to laid down procedures and following of international guidelines.

AksharChem (India) Ltd.

Solid Waste, generated at Works, after the treatment of its liquid effluent is sold to reputed Cement manufacturers.

The Company continues to demonstrate its commitment to a clean and safe environment. The state of the art effluent treatment plant continues to run satisfactorily, so that the treated waste water discharged, is well within the stipulated norms set by GPCB.

ENGINEERING

In our continued quest for alternative sources of energy due to escalating costs of purchased/produced energies, the plan of using agro waste in place of furnace oil is being implemented. Another project with considerable progress is the re-circulation / conservation of water. At some of the processes, water re-circulation and reuse has been introduced this year.

Equipment downtime due to breakdowns has considerably reduced due to strict adherence of preventive maintenance schedules, which in turn increased operational efficiency and reduced costs.

RESPONSIBILITY STATEMENT:

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956:

- (i) that in the preparation of the annual accounts for the year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanations in case of material departures;
- (ii) that such accounting policies as mentioned in Schedule 20 of the Annual Accounts have been applied consistently and judgements and estimates that are reasonable and prudent made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2008 and of the profit of the Company for that period;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) That the annual accounts for the year ended 31st March, 2008 has been prepared on a going concern basis.

CORPORATE GOVERNANCE:

As a Listed Company, necessary measures are taken to comply with the Listing Agreements with the Stock Exchanges. A report on the Corporate Governance together with a certificate of compliance from the Auditors, forms part of this report.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Kiran J. Mehta and Prof. Pradeep Jha are due to retire at the forthcoming annual general meeting, and being eligible, have offered themselves for re-appointment.

Details of the Directors seeking re-appointment as required under Clause 49 VI A of the Listing Agreements entered into with the Stock Exchanges are provided in the Corporate Governance Report forming part of this Report.

AUDITORS:

Members are requested to appoint Auditors for the current year at a remuneration to be decided by the Board of Directors of the Company. M/s. Trushit Chokshi & Associates, the retiring Auditors, are eligible for re-appointment and have furnished a certificate to the effect that their re-appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Statements giving the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under the Companies (Disclosure of Particulars in the Board of Directors' Report) Rules, 1988 are annexed.

FIXED DEPOSITS

The Company has not accepted any fixed deposit from the public during the period. No deposits are outstanding as on 31st March, 2008.

ANNUAL REPORT 2007-2008**COST AUDITORS**

The Board of Directors in its meeting have appointed Mr. Manish B. Analkat as Cost Accountant of the Company. The Cost Auditors' Report for 2007-08 will be forwarded to the Central Government in pursuance of the provisions of the Companies Act, 1956.

PERSONNEL

None of the Director is drawing remuneration and hence no information is required to be given under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975

ACKNOWLEDGEMENT

It is our strong belief that caring for our business constituents has and will go a long way in the progress of the Company. Your Directors acknowledge with sincere gratitude the cooperation and assistance extended by the Central Government, State Government, Financial Institutions, Bank, Customers and Vendors.

The Board also takes this opportunity to express its deep gratitude for the continued co-operation and support received from its valued shareholders.

The Directors hereby place on record their appreciation for the dedicated efforts put by the employees at all levels.

For and on behalf of the Board of the Directors

Sd/-

Place : Indrad, Mehsana

Date : 26.08.2008

MRS. PARU M. JAYKRISHNA

Chairperson & Managing Director

ANNEXURE 1 TO THE DIRECTORS' REPORT**INFORMATION IN PURSUANCE TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES: 1988****A: Conservation of Energy**

Energy conservation is an ongoing and focused area of the Company. Potential energy saving necessary have been identified and implemented which includes:-

Replacement of motors with energy efficient ones and with appropriate capacities.

Replacement of pumps with appropriate and efficient pumps.

FORM 'A'

	Current Year	(Rs. in Millions) Previous Year
A) POWER & FUEL CONSUMPTION		
1) Electricity		
a) Purchased units (in millions)	2.712	2.089
Total amount (Rs. in millions)	12.550	9.773
Rate/unit (Rs)	4.628	4.67
b) Own generation	N.A.	N.A.
Units generated	N.A.	N.A.
Unit per Litter of diesel	N.A.	N.A.
Cost/Unit	N.A.	N.A.
2) Diesel/Furnace Oil (in thousand Ltrs)	381.936	123.612
Cost (Rs. in millions)	8.749	2.693
Rs. Per Ltr	22.906	21.79
3) Lignite coal & Other Fuels (in thousand Kgs)	3091.63	2204.14
Cost (Rs. in Millions)	6.493	3.95
Rate / Kgs. (Rs.)	2.10	1.79

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	Current Year	(Rs. in Millions) Previous Year
B) CONSUMPTION PER UNIT OF PRODUCTION (DYE INTERMEDIATE)		
Electricity (Units/Ton)	839.433	916.76
Diesel/furnace oil (Ltrs./Ton.)	118.211	54.25
Lignite Coal & Other Fuels (Kgs./Ton.)	956.879	965.96

FORM B

Form of disclosure of particulars with respect to Absorption of Technology Research and Development (R&D)

Research and Development:

- Specific areas in which R&D carried out by the Company :

The R&D department continued to direct its efforts towards the development of technology for Dye Intermediates and auxiliaries meant for export markets.

- Benefits derived as a result of the above R&D :

R&D work resulted in enrichment of the Company's product range with promising new products and higher value addition due to cost reduction by way of process improvements, energy savings and reduction of chemical waste.

- Further plan of action :

R&D activities are being further strengthened.

- Expenditure on R&D**

	Current Year	(Rs. in Millions) Previous Year
A) POWER & FUEL CONSUMPTION		
Capital	0.019	0.0041
Revenue/Recurring	0.251	0.0234
Total	0.270	0.0275
Total Expenditure as % of turnover	0.058%	0.0078%

Technology Absorption and Innovation:

- Efforts, in brief, made towards technology absorption , adaptation and innovation :

The R&D Department absorbs the knowledge of chemicals technology from various sources and thereafter adapts the same to the Company's infrastructure, effect improvements to the products and processes of the Company including containment of pollution and control of effluents.

- Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc. :

Benefits derived from these efforts include process rationalisation, product quality improvement, import substitution and overall cost reduction.

- In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.

- Technology imported : NIL
- Year of Import : -
- Has technology been fully absorbed? : NIL

Foreign Exchange Earnings and Outgo

- Total foreign exchange earned : 401.73 Million
- Total Foreign exchange used : Nil

For and on behalf of the Board of the Directors

Sd/-

Place : Indrad, Mehsana

Date : 26.08.2008

MRS. PARU M. JAYKRISHNA

Chairperson & Managing Director

ANNUAL REPORT 2007-2008**CORPORATE GOVERNANCE REPORT 2006-2007****Company's Philosophy on Code of Governance**

AksharChem (India) Limited endeavours to uphold the highest principles and practices of Corporate Governance to ensure transparency, integrity and accountability in its functioning. Our governance practice is to build the trusts between the Company and its stakeholders viz. shareholders, customers, suppliers and employees. The Company upholds the rights of each of the stakeholder groups for information on the business and the financial performance of the Company and strives to meet these needs in a consistent and regular manner.

In the line with this philosophy, your company continuously strives for excellence through adoption of best governance and disclosure practices. Your company is fully complied with the provisions of Clause 49 of the Listing Agreement with Stock Exchange. The details of compliances are as follows:

I. Board of Directors**(A) Composition of the Board:**

The Board of Directors comprises of 6 members, of which 4 are non-executive directors. The 2 executive directors include 1 Chairperson and Managing Director and 1 executive director. 3 directors of your Company are also promoter directors. Of the 4 non-executive directors, 3 Directors are independent directors i.e. independent of management and free from any business or other relationship, which could materially interface with the exercise of their judgement. The Board does not have any nominee director representing any institution. The directors bring to the board wide range of experience and skills. The composition of the board is in conformity with the listing agreements.

(B) Non-Executive Directors' Compensation and Disclosures

The Non-Executive Directors are entitled for sitting fees only which have been approved by the Board of Directors. Apart from sitting fees no other fees/compensation are paid to them. Details of sitting fees paid to Non-Executive Directors are given at respective place of this report.

(C) Other provisions as to the Board and Committees

The Board plays a primary role to ensure good governing practices and functioning of the Company. All relevant information as mandate by the regulations are placed before the Board. All the members of the Board have a right to express their opinion in the concerned subject matter. The Board reviews compliance reports of all laws applicable to the Company as well as take necessary steps to rectify instances of non-compliances, if any.

During the period under review, the Board of Directors met 5 times. The details of Board Meeting and Attendance thereof are as below:

Sr. No.	Date of Board Meeting	Place	No. of Directors Present
1.	30.04.2007	Ahmedabad	5
2.	31.07.2007	Ahmedabad	4
3.	20.08.2007	Ahmedabad	5
4.	29.10.2007	Ahmedabad	5
5.	29.01.2008	Indrad, Kadi	5

Details of Board of Directors in terms of directorship/memberships in outside company (excluding AksharChem India Ltd.) as well as attendance at Board Meetings and last Annual General Meeting (AGM) are as follows:

Name of the Director	No. of Outside Directorship Held		No. of Outside Committee Positions Held		No. of Board Meetings		Attended at Last AGM
	Public	Private	Public	Private	Held	Attended	
Mrs. Paru M. Jaykrishna	1	2	1	-	5	5	Yes
Mr. Kiran J. Mehta	-	-	-	-	5	4	Yes
Prof. Pradeep Jha	1	-	3	-	5	5	Yes
Mr. Prafulchandra V. Patel	-	-	-	-	5	1	No
Mr. Gokul M. Jaykrishna	1	2	-	-	5	4	Yes
Mr. Munjal M. Jaykrishna	1	2	-	-	5	5	Yes

(D) Code of Conduct

The Company has laid down a Code of a Conduct for its Board of directors and Senior Management which is adhered to by all the concerned persons.

II. Audit Committee**(A) Composition of Audit Committee**

Your Company has an Audit Committee of Directors. All members of the Committee are independent Directors. The power and role of the Committee are as prescribed under Clause 49 II (C) and (D). The composition of Audit Committee are as below:

- 1) Mr. Kiran J. Mehta – Chairman
- 2) Prof. Pradeep Jha – Member
- 3) Mr. Prafulchandra V. Patel – Member

The Managing Director is a permanent invitee to the Meetings. The Company Secretary is the Secretary of the Committee. Head of Accounts, Internal Auditors and the Statutory Auditors are also invited to attend the Meetings.

(B) Meeting of the Audit Committees:

During the period under review, the Audit Committee met 5 times. The details of composition, attendance of the members and sitting fees paid to them are as below:

Name of Members	No. of Meetings	
	Held	Attended
Mr. Kiran J. Mehta	5	5
Prof. Pradeep Jha	5	2
Mr. Prfulchandra V. Patel	5	5

(C) Powers of Audit Committee:

The Audit Committee has following powers:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary

(D) Role of Audit Committee:

The Committee plays a vital role Company Financial Strengthening. The Role includes:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommendation to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.