

AksharChem

AksharChem (India) Ltd.

[Formerly Known as Audichem (India) Ltd.]



**A N N U A L
R E P O R T
2 0 0 8 - 2 0 0 9**

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

*JOINT MANAGING DIRECTOR***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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AksharChem (India) Ltd.**NOTICE**

Notice is hereby given that the 20th Annual General Meeting of the Members of **AKSHARCHEM (INDIA) LIMITED** will be held on 30th September, 2009 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, 2009 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. Prafulchandra V. Patel who retires by rotation and is eligible for re-appointment.
- 3) To appoint a Director in place of Mr. Kiran J. Mehta 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.

Special Business by Ordinary Resolution:

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

"Resolved That pursuant to provisions of Section 198, 269, 309 read with Schedule XIII to the Companies Act, 1956 and also Article No.149 of Articles of Association of the Company, consent of Company be and is hereby given to the appointment of Mr. Munjal M. Jaykrishna as Joint Managing director of the Company for a period of Five years w.e.f. 24/03/2009 on the terms and conditions as set out herein.

By the Order of the Board of Directors

Sd/-

Place : Indrad, Mehsana

Date : 05.09.2009

Gokul M Jaykrishna
Executive Director

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 27th September, 2009 to 30th September, 2009 (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.

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9. The members can also avail facility of nomination in terms of extent 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 atleast 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.

Annexure to the Notice

Explanatory statement in pursuant to the provisions of Section 173 of the Companies Act, 1956 in respect of Special Business

Item No. 5

Mr. Munjal M. Jaykrishna was appointed as Joint Managing Director of the company for a period of 5 years w.e.f. 24/03/2009. The Board Of Directors have approved subject to the consent of Members, the appointment of Mr. Munjal M. Jaykrishna as Joint Managing Director of the Company for a period of 5 years w.e.f. 24/03/2009. The approval of Members is sought for his appointment as Joint Managing Director of the Company and terms and conditions as set out herein below which are in accordance with the provisions of Schedule XIII to the Companies Act, 1956.

1. At present the Joint Managing Director shall not be paid any remuneration by way of Salary.
2. Commission if paid, would be at the rate of 2.5% of the net profits calculated in the manner laid down in Section 309(5) of the Companies Act, 1956.
3. Incentive Allowance –if paid, will be fixed by the Board, limited to four month's salary.
4. Perquisites, if paid, will be the following:
 1. **Housing.**
 - The Joint Managing Director will be provided with the Company Hired furnished accommodation.
 - If the Company does not provide housing, the Joint Managing Director will be given HRA @50% of his salary.
 - 2 Medical Reimbursement - Reimbursement of expenses incurred for self and family (as per the rules of the Company).
 - 3 Leave Travel Concession - For self and family once a year in accordance with the rules of the Company.
 - 4 Club Fees - Subject to a maximum of two Clubs.
 - 5 Reimbursement of expenses actually incurred for children's education.
 - 6 Insurance Policy to cover personal effects, personal accident and medical expenses.
 - 7 Reimbursement of all entertainment expenses incurred in course of Company's business.
 - 8 Reimbursement of expenses incurred on travelling, boarding and lodging of spouse, personal Wallet, Ayah or Governess, if any, accompanying him and / or his family during his / their travel.
 - 9 All expenses incurred for engaging servants / cook maid / mali or gardener / sweeper / Durwan and security personnel at his residence.
5. **Other perquisites**
 The following perquisites, will also be allowed, which shall not be included in the computation of the ceiling of remuneration specified in item 4 above:
 - a) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

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- c) Leave and leave encashment on full pay and allowances not exceeding 30 days for every year or service. Unavailed leave, if any, at the end of the tenure will be allowed to be encashed on the basis of last pay drawn.
- d) Free use of Company's Car.
- e) Telephone at his residence.
6. Minimum Remuneration
- In the event of loss or inadequacy of profits in any financial year, Mr. Munjal M. Jaykrishna will not be eligible for commission as stated in item 2 above; but shall be paid remuneration, if paid, by way of salary, allowances and perquisites which are specified above, subject to the maximum allowed under Schedule XIII of the Companies Act, 1956.
7. Notwithstanding anything stated above the total remuneration shall not exceed the limit laid down in Schedule XIII of the Companies Act, 1956."
- Mr. Munjal M. Jaykrishna, Mr. Gokul M. Jaykrishna and Mrs. Paru M. Jaykrishna are interested/concerned or deemed to be interested/ concerned in the aforesaid resolution".

STATEMENT REGARDING THE DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT IN THE ENSUING ANNUAL GENERAL MEETING

Name of Director	Mr. Prafulchandra V. Patel	Mr. Kiran J. Mehta	Munjal M. Jaykrishna
Date of Birth	29/07/1941	30.09.1953	08/04/1970
Date of Appointment	22/05/1999	27/07/2003	28/06/1995 – JT MD w.e.f. 24/03/2009.
Qualification	Graduate-Automobile Engg.	Cost Accountant	B.S.-Business & Economics / Summer Internship, Wharton Business School/ Summer Internship, London School of Economics
No. of Equity Shares Held	Nil	Nil	390877
Chairman/Member of the Committees of the Board of Directors of the Company	1. Audit committee-Member	1. Audit committee-Chairman 2. Shareholders / Investors Committee -Member	Shareholders / Investors Committee - Member

Note: Pursuant to Clause 49 of the Listing Agreement, only two committees viz. Audit Committee and Shareholders' Grievance Committee have been considered.

For and on behalf of the Board of Directors

Place : Indrard, Mehsana
Date : 05.09.2009

Sd/-
Gokul M Jaykrishna
Executive Director

ANNUAL REPORT 2008-2009**DIRECTORS REPORT, MANAGEMENT DISCUSSIONS & ANALYSIS**

Dear Members,

The Directors have pleasure to present 20th Annual Report and Audited Accounts for the financial year ended on 31st March, 2009.

FINANCIAL RESULTS

Your Company's performance during the Financial Year 2008-09 is summarised below:-

	For the year ended March 31, 2009	(Rs. in Millions) For the year ended March 31, 2008
Gross Income	543.501	495.910
Exports	496.891	401.730
Gross Profit	(45.501)	19.610
Depreciation	7.623	3.528
Provision for Taxation	(2.089)	7.442
Net Profit	(51.035)	8.640
Transfer to General Reserves	—	—
Dividend	—	—
Balance Carried to Balance Sheet	4.688	55.724

DIVIDEND

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

OPERATIONAL PERFORMANCE

The Sales Turnover for the year increased by 9.60% from Rs. 495.910 million to Rs. 543.501 million. In spite of slight increase in the turnover there had been loss of Rs.51.035 million for the year under review compared to profit of Rs.8.640 millions

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

The year under review was the year of recession and had witnessed a high degree of volatility in the prices of raw material as well as of the product of the Company. There had been un precedent volatility in foreign exchange rates. The second half of the year was affected by worst ever recession the Company has witnessed since its inception. The recession which started from USA has taken the entire world into its grip by the 3rd quarter of the financial year under review. The industrial growth of our country which was 6.1% in the second quarter of the financial year has all of a sudden fallen to 2.3% in the 3rd quarter of the financial year 2008 – 09 which was further depressed to 1.04% in the 4th quarter of the financial year. The chemical industry was also worst affected by this period of global recession.

Due to demand being crashed from the 3rd quarter of the financial year and sudden stiff fall in the price of the product of the Company, the profitability for the year under review had been badly affected.

Due to such adverse economic scenario, in spite of growth in the turnover there had been loss for the year under review.

AksharChem (India) Ltd.**Industry Outlook:**

Industrial Production growth in the 1st and 2nd quarter of the financial year 2009-10 has shown continuous growth. Most of the developed countries like Germany and France have shown the sign of coming out of the grip of the recession. Economic indicators in Japan have also improving. Net FII in flow, which was negative from 2nd quarter of FY 08-09 to 4th quarter 08-09, has turned to be positive in the 1st quarter of 09-10. Looking the above indicators and willingness of the Government to double the exports by 2014 it is expected to be good business environment in the coming period.

Business Outlook:

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.

Availability of large pool of efficient technical manpower with excellent management skills presents a promising global opportunity for Indian industries. Indian 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 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.

With the increased capacity, your Company is making its best efforts to pass through this period of recession and come back on the profit earning track.

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.

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

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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. 496.891 million (previous year - Rs. 401.730 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.

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 wastewater discharged, is well within the stipulated norms set by GPCB.

Your Company has obtained the ISO 14001:2004 certification in the financial year 2007-08.

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, 2009, 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, 2009 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, 2009 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.

SECRETARIAL AUDIT REPORT:

Secretarial Audit Report of the Company from the practising Company Secretary forms part of this report.

AksharChem (India) Ltd.**DIRECTORS:**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Prafulchandra V. Patel and Mr. Kiran J. Mehta, are due to retire at the forthcoming annual general meeting, and being eligible, have offered themselves for re-appointment. Mr. Munjal M. Jaykrishna has been appointed as Joint Managing Director of the company w.e.f. 24/03/2009 for a period of five years.

Details of the Directors seeking appointment/ 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, 2009.

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 2008-09 will be forwarded to the Central Government in pursuance of the provisions of the Companies Act, 1956.

PERSONNEL

None of the employee has been paid remuneration of Rs. 24.00 lacs or above per annum during the financial year as such no information is required to be given as per 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 co-operation 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

Place : Indrad, Mehsana
Date : 05.09.2009

Sd/-
MRS. PARU M. JAYKRISHNA
Chairperson & Managing Director

ANNUAL REPORT 2008-2009**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 focussed 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)	3.080	2.712
Total amount(Rs. in millions)	18.219	12.550
Rate/unit(Rs)	5.915	4.628
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)	253.801	381.936
Cost (Rs. in millions)	7.72	8.749
Rs. Per Ltr	30.404	22.906
3) Lignite coal & Other Fuels (in thousand Kgs)	7285.968	3091.63
Cost (Rs. in Millions)	16.32	6.493
Rate / Kgs. (Rs.)	2.239	2.10
B) CONSUMPTION PER UNIT OF PRODUCTION (DYE INTERMEDIATE)		
Electricity (Units/Ton)	1004.328	839.433
Diesel/furnace oil (Ltrs./Ton.)	82.750	118.211
Lignite Coal & Other Fuels (Kgs./Ton.)	2375.554	956.879

FORM B

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

Research and Development:

1. 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.

2. 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.