

AksharChem

AksharChem (India) Ltd.

ANNUAL
REPORT
2011 - 2012

NOTICE

Notice is hereby given that the 23rd Annual General Meeting of the Members of AKSHARCHEM (INDIA) LIMITED will be held on Friday, 28th September, 2012 at 11.30 A.M. at the Registered Office of the Company situated at 166-169, Village : Indrad, Kadi - Kalol Road, Dist: Mehsana, Gujarat, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Statement of Profit and Loss for the year ended 31st March, 2012 and the Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Kiran J. Mehta, who retires by rotation, and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Gurcharan Singh, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint Statutory Auditors and fix their remuneration.

By order of the Board of Directors

Mrs. Paru M. Jaykrishna

Chairperson and Managing Director

Place : Indrad, Mehsana

Date : 14/08/2012

Registered Office :

166-169, Village Indrad

Kadi – Kalol Road, Dist : Mehsana

Gujarat – 382 727 (India)

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING OF THE COMPANY IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF 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. Information under Clause 49 of the Listing Agreement regarding appointment / reappointment of Directors are annexed hereto.
3. Corporate Members intending to send their authorised representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 21st September, 2012 to Friday, 28th September, 2012 (both days inclusive).
5. Pursuant to the provisions of Section 205A and 205C and other applicable provisions, if any, of the Companies Act, 1956, all dividend remaining unclaimed / unpaid for a period of seven years from the date they became due for payment, will be transferred to the Investor Education and Protection Fund (IEPF). No claim shall lie against the Company for the amounts so transferred to IEPF. Members who have not encashed dividend cheque for the financial year 2005-06 are requested to approach the Company or RTA for the payment thereof.
6. 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.
7. The Ministry of Corporate Affairs (MCA) vide its circular No. 17/2011 dated 21/04/2011 and Circular No. 18/2011 dated 29/04/2011 has taken "Green Initiative in Corporate Governance" and allowed companies to share documents with its shareholders through an electronic mode. The Company thus proposes to send all documents to Shareholders like General Meeting Notices (include AGM Notice), Audited Financial Statements, Director's

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Report, Auditors' Report etc hence forth to the Shareholders in electronic form in lieu of the physical form. Shareholders in the Electronic Mode and the physical mode are requested to support this Green Initiative by registering / up dating their email addresses for receiving the electronic communications.

8. Members desirous of obtaining any information or clarification concerning to accounts and operations of the Company are requested to write to the Company at least 7 days in advance of the meeting.
9. Members who hold shares in dematerialised form are requested to fill their Client ID and DP ID numbers and those hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting.

ANNEXRE TO THE NOTICE

Disclosure pursuant to Clause 49 of the Listing Agreement with regard to the Directors seeking re-appointment / appointment at the forthcoming Annual General Meeting (Refer Item No. 2 and 3) of the Notice

Name of Director	Mr. Kiran J. Mehta	Mr. Gurcharan Singh
Date of Birth	30/09/1953	03/12/1949
Date of Appointment	27/07/2003	07/07/2011
Expertise in specific functional areas	Senior Cost Accountant	Retd. IAS Officer, worked as additional chief secretary of the Government of Gujarat
Qualification	M. Com, LLB, FICWA, FIISA	B.Sc., LLB
No. of Equity Shares Held	Nil	Nil
List of outside Company Directorships Held	Nil	Nil
Chairman/Member of the Committees of the Board of Directors of the Company	Chairman :Audit Committee Remuneration Committee Shareholders/ Investor Grievances Committee	Nil
Chairman / Member of the Committees of Directors of other Companies in which he/she is a Director a) Audit Committee b) Shareholders / Investors Grievances Committee	Nil	Nil

DIRECTORS REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their Twenty Third Annual Report together with the Audited Financial Statements of your Company for the financial year ended 31st March, 2012.

FINANCIAL RESULTS

Particulars	Current Year 2011-2012	(Rs. in Lacs) Previous Year 2010-2011
Net Sales/Income from Operations	5,196.87	8,455.65
Other Income	-	586.88
Total Income	5,196.87	9,042.53
Profit/(Loss) for the year before Finance Costs and Depreciation	(173.05)	862.54
Less : Finance Costs	157.51	153.65
Profit/(Loss) for the year before Depreciation	(330.56)	708.89
Less : Depreciation	91.90	87.67
Profit/(Loss) for the year before Tax Expenses	(422.46)	621.22
Less: Current Tax	0.19	0.26
Less: Deferred Tax	(33.97)	(16.33)
Profit/(Loss) for the year	(388.68)	637.29
Add : Balance brought forward from last year	835.49	198.20
Balance Carried over to Balance Sheet	446.80	835.49

FINANCIAL PERFORMANCE**Results of Operations**

The year 2011-12 was a testing period for the Company. The operations were severely impacted by the global recession and economic slow down. Sudden Crash in demand, unexpected volatility in the raw material prices and foreign exchange affected our bottom line.

During the year under review, the Company has earned a total income of Rs. 5,196.87 Lacs as compared to Rs. 9,042.53 Lacs of the previous year.

The total sales of the Company was Rs. 5,189.40 Lacs compared to Rs. 8,455.65 Lacs during the previous year.

Exports

The Export sale of the Company was Rs. 4,422.75 Lacs compared to Rs. 7,345.70 Lacs during the previous year. Your Directors are confident to explore better overseas market in the year to come.

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DIVIDEND

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

CHANGES IN CAPITAL STRUCTURE

Issue of Equity Shares On Preferential Basis

The Company has allotted 1,550,000 Equity Shares of Rs. 10/- each at a premium of Rs. 8.50 per share to Promoters on preferential basis on 25th May, 2011 after getting consent from the Shareholders at the Extra Ordinary General Meeting held on 10th May, 2011.

Utilisation of Issue Proceeds

The Company has fully utilised Rs. 2.87 Crores raised through preferential issue to meet the long term working capital and normal capital expenditures.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

A Management Discussion and Analysis Report as required under the Clause 49 of the Listing Agreement is annexed to and forming part of the Directors' Report.

DIRECTORATE

In accordance with provision of the Companies Act, 1956 and the Articles of Association of the Company Mr. Kiran J. Mehta and Mr. Gurcharan Singh retire by rotation as Directors at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

A brief resume, expertise and details of other directorships of these directors are attached along with the Notice of the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- (i) in the preparation of the annual accounts for the year ended 31st March, 2012, the applicable accounting standards have been followed along with proper explanations in case of material departures;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgments 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 or loss of the Company for that period;
- (iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the directors had prepared the annual accounts on a going concern basis.

AUDITORS AND AUDITORS' REPORT

M/s. Trushit Chokshi & Associates, Chartered Accountants, Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a certificate from the statutory auditors to the effect that their re-appointment if made, would be in accordance with the provisions of Section 224(1) (B) of the Companies Act, 1956. You are requested to consider their reappointment.

The observations of the Auditors made in the Auditors Report are self explanatory.

FIXED DEPOSITS

The Company has neither accepted nor renewed any fixed deposits from the public during the year and as on 31st March, 2012 there was no outstanding deposits.

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

The information required pursuant to provisions of Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in the Annexure – 1 to this Directors' Report.

STATEMENT OF EMPLOYEES' PARTICULARS

During the year under review, there were no employees of the Company who were in receipt of remuneration in excess of the limit laid down under the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

CORPORATE GOVERNANCE

The Company has been proactive in following the principles and practices of good corporate governance. A report in line with requirements of Clause 49 of the listing agreement with the Stock Exchange(s) followed by the Company is annexed as per Annexure – III alongwith an Auditors Certificate on Corporate Governance and a declaration by the Chairperson and Managing Director with regard to Code of Conduct.

COST AUDITORS

As per the requirement of the Central Government and pursuant to Section 233B of the Companies Act, 1956, the Company carries out an audit of cost accounts.

Mr. Manish B. Analkat, Cost Accountant, Ahmedabad was appointed as Cost Auditors for the financial year 2011-12.

SECRETARIAL AUDIT REPORT

As required under the provisions of Section 383A of the Companies Act, 1956 and the rules made thereunder, a certificate is attached herewith as per Annexure -IV and the same forms part of this Report.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The industrial relations of the Company with all its employees and workers remained cordial and harmonious through out the year. Your directors wish to place on record their sincere appreciation for the devoted services of all the employees and workers of the Company.

FINANCE AND INSURANCE

The Company have been financed by State Bank of India for both working capital and term loans.

The CARE has assigned "CARE BBB-" (Triple B Minus) rating to the long term bank loans/facilities and "CARE A3" (A Three) rating for to the short term bank loans/facilities.

All the assets and insurable interests of the Company, including plant and machinery, building, stocks, vehicles, stores and spares have been adequately insured against various risks and perils.

SAFETY, HEALTH AND ENVIRONMENT

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

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

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Solid waste generated at the Works, after treatment of its liquid effluent is shifted to a Gujarat Pollution Control Board (GPCB) approved site.

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 ISO 14001:2004 and ISO 9001-2008 certification for its unit.

APPRECIATION AND ACKNOWLEDGEMENTS

Your Directors are grateful and pleased to place on record their thanks to Government of India, Government of Gujarat, Electricity supply companies, and Bankers for their excellent support, guidance and continued cooperation.

The Company is thankful to the shareholders for reposing trust in the Company and their unflinching enthusiasm and patronage.

For and on behalf of the Board

Date : 14/08/2012
Place : Indrad, Mehsana
Registered Office :
166-169, Village Indrad
Kadi – Kalol Road, Dist : Mehsana
Gujarat – 382 727 (India)

Mrs. Paru M. Jaykrishna
Chairperson and Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 and forming part of the Directors' Report for the year ending 31st March, 2012.

I. (A) ENERGY CONSERVATION MEASURES TAKEN DURING THE YEAR 2011-12

a. Energy conservation measures taken :

The Company put continues efforts to energy conservation and its utilization. Efforts are taken to upgrade the plant and machinery. Replacement of motors with energy efficient ones and with appropriate capacities. Replacement of pumps with appropriate and efficient pumps.

The Company has three DG set of one 750 KVA and two 125 KVA, installed in the plant as standby for continuous power supply.

b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy : No

c. Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

The adoption of energy conservation measures indicated above has resulted in awareness amongst the employees and shall have impact on savings of extra costs on energy.

d. Total energy consumption and energy consumption per unit of production : As per Form A

FORM 'A'

Sr. No.	Particulars	Unit of Measurement	2011-2012	2010-2011
A) POWER & FUEL CONSUMPTION				
1. Electricity				
a.	Purchased			
	Unit	Lacs KWH	46.60	65.48
	Total amount	Rs. in Lacs	235.27	329.81
	Rate/Unit	Rupees	5.05	5.04
b.	Own Generation			
	Unit generated through diesel generator	Lacs KWH	NA	NA
	Unit per litre of diesel oil	Rs. in Lacs	NA	NA
	Cost/Unit	Rupees	NA	NA
2. Diesel/Furnace Oil				
	Unit	Thousand Ltrs	84.72	300.80
	Total amount	Rs. in Lacs	33.27	105.62
	Rate/Unit	Rupees	39.26	35.11
3. Lignite, Coal & other Fuels				
	Unit	Thousand Kgs	3,109.42	12,168.23
	Total amount	Rs. in Lacs	117.00	445.95
	Rate/Unit	Rupees	3.76	3.66
B) CONSUMPTION PER UNIT OF PRODUCTION (DYE INTERMEDIATE)				
	Unit cost per MT. of product			
	Electricity	(Units/Ton)	1,263.29	1,091.81
	Diesel/furnace oil	(Ltrs./Ton.)	22.97	50.16
	Lignite, Coal and other fuels	(kg/ton)	843.03	2,028.94

B. TECHNOLOGY ABSORPTION

Efforts made in Technology Absorption in Form "B"

**RESEARCH & DEVELOPMENT (R & D)
FORM "B"**

1. Specific area in which R & D carried out by the Company

The Research and Development department continued to direct its efforts towards quality control, cost reduction and improvement of product as per customer demand.

2. Benefits derived as a result of the above Research & Development

- Research and Development work 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.

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- With installation of Quality System and Total Quality Management, we have been able to get ISO 9001:2008 accreditation and this in turn, has enabled us to plan, manufacture and supply material of International Standards. This activity has resulted in up gradation of all the documentation on the products to specify complete manufacturing and quality assurance needs.
- The company has received ISO 14001-2004 Certification.

3. Future plan of action

Research and Development activities are being intensified to improve quality, develop product variants and improve productivity.

4. Expenditure on Research & Development

	2011-2012	(Rs. in Lacs) 2010-2011
Capital	Nil	7.41
Revenue/Recurring	2.64	2.94
Total	2.64	10.35
Total Expenditure as % of turnover	0.05%	0.12%

5. Technology absorption, adaptation and innovation

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

The Company has been putting emphasis to train its technical personnel by way of providing training to them for the latest technology available.

- ii) Benefits derived as a result of the above efforts:

Benefits derived from these efforts include process rationalization, product quality improvement, reduced wastage and overall cost reduction.

- iii) 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 : Not Applicable
- Has technology been fully absorbed? : NIL

C. FOREIGN EXCHANGE EARNINGS AND OUT GO

- a. Activities relating to Exports, initiative taken to increase exports, development of new export markets for products and service and export plans.

The Company has continued to maintain focus and avail of export opportunities based on economic situation. During the year the Company exported Vinyl Sulphone valuing to Rs. 4,414.45 Lacs (Previous Year 7,282.77 Lacs) to various countries around the World. The Company exports its product to USA, Middle East, Europe and Asian Countries. Continuous efforts are being taken to increase exports by exploring new markets.

- b. Foreign Exchange used and earned:

	2011-2012	(Rs. in Lacs) 2010-2011
Foreign Exchange Earned	4,414.45	7,282.77
Foreign Exchange Used	10.14	22.00

ANNEXURE – II TO THE DIRECTORS' REPORT**MANAGEMENT DISCUSSION AND ANALYSIS****OVERVIEW**

The Company is engaged in the manufacturing of Dyes and Intermediates. The principal product of the Company is Vinyl Sulphone. Vinyl Sulphone is used as a key raw material in the manufacturing of reactive dyes, which is having application in color, paints, pigments, rubber, textiles, plastics and leathers.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Chemical industry is one of the oldest industry in India, which contributes significantly towards industrial and economic growth of the nation. It is highly science bases and provides valuable chemicals for various end products such as textiles, paper, paints and leather etc. The dyestuff sector is one of the important segments of the chemical industry in India. India has emerged as a global supplier of dyestuffs and dye intermediates, particularly for reactive, acid, vat and direct dyes. The Indian dyestuff production meets more than 95 percent of the domestic demand has gradually made a dent in the global market. Your Company's principal product Vinyl Sulphone is a part of dyestuff industry has also witnessed good demand as result.

RISK & CONCERNS

Most of the raw materials of the Company are derivatives of crude oil. Hence margins are susceptible to volatility associated with its raw material prices. The environmental protection policies of the Government also affect the performance of the Company. Further the dyes and intermediate industry is facing a stiff competition from China. The volatility of Rupee vise-a-vis dollar is effecting realization and adverse global economic condition are additional cause of concern.

However, the Company keeps constant monitoring on the cost of raw materials, energy and transportation to mitigate the risk. The Company is having a well structured risk management system under the guidance of experienced Board of Directors. The Audit Committee monitors the implementation of the risk mitigation plans.

OPPORTUNITIES AND THREATS

Your Company is having long and established track record in the Vinyl Sulphone business. It enjoys a long standing relation with key Multinationals who are leaders in the industry. The Company has kept a tight vigil on overall cost, inventory management, energy and transportation.

OUTLOOK

After the global head winds particularly the Europe financial crisis, the US slowdown, the business around the world is showing sign of recovery, particular in India. The demand for your product has shown global demand and is expected to continue for the financial year 2012-13.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has suitable and proper internal control system according to the nature of its business and its size to ensure propriety in the utilization of funds, safeguarding of assets against unauthorized use or disposition, true and fair reporting and compliance with all the applicable regulatory laws and company polices. Internal Auditors conduct audits of the performance of various departments, functions and also statutory compliances based on annual audit plan. They report their observations / recommendations to the Audit Committee of the Board of Directors. Internal control systems are reviewed by Audit Committee on a regular basis for its effectiveness and the necessary changes suggested are incorporated into the system. Internal Audit Reports are reviewed by the Audit Committee of the Board.