

ANNUAL REPORT 2006-07



ALKYL AMINES CHEMICALS LIMITED

ALKYL ANNUAL REPORT 2006-2007

ALKYL AMINES CHEMICALS LIMITED

FINANCIAL HIGHLIGHTS OF THE LAST DECADE

YEAR ENDING	31.03.1998	31.03.1999	31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
GROSS REVENUE	6247.28	8612.41	8298.00	7969.67	9409.50	10477.38	10515.21	11599.21	12954.62	15160.28
OPERATING PROFIT (PBIT)	1176.56	2448.39	1707.88	660.30	1651.27	1865.94	1609.09	1463.30	1635.40	2491.26
PROFIT BEFORE TAX	488.98	1639.97	872.84	-842.58	278.46	567.39	402.45	347.37	602.96	1123.66
PROFIT AFTER TAX	428.79	1284.88	774.72	-842.69	172.25	331.39	241.31	289.64	410.19	822.82
GROSS FIXED ASSETS	5335.66	5731.03	9292.66	9794.09	10033.48	10217.40	10794.89	10927.77	11209.65	13118.57
NET FIXED ASSETS	3826.84	3952.51	7250.72	7307.95	7092.05	6828.49	6927.22	6571.36	6368.29	7699.64
NET CURRENT ASSETS	2605.39	2991.04	4465.89	3744.62	3682.48	4034.19	3898.01	3090.71	5503.74	6949.13
EQUITY SHARE CAPITAL	730.52**	730.57	730.58	886.49	886.49	886.49	886.49	886.49	886.49	886.49
RESERVES & SURPLUS (Including Deferred Taxation (Net))	1986.14	2925.71	3530.70	2967.20	3230.87	3653.08	3900.97	4040.86	4411.96	5232.42
BOOK VALUE (Rs.)	36.35	50.05	58.33	43.47	46.45	51.21	54.00	55.59	59.77	69.02
EARNING PER SHARE-BASIC (RS.)	9.00*	17.59	10.60	-9.51	1.94	3.74	2.72	3.27	4.63	9.06
EQUITY DIVIDEND (%)	20.00**	40.00	20.00	—	—	12.00	12.00	15.00	18.00	22

* WEIGHTED AVERAGE BASIS ON INCREASED EQUITY BASE

** AFTER ISSUE OF BONUS SHARES IN THE RATIO OF 1:1

ALKYL AMINES CHEMICALS LIMITED**ANNUAL REPORT 2006-2007****MANAGEMENT TEAM**

*Chairman &
Managing Director*
Yogesh M. Kothari

Executive Director
Kirat Patel

Executive Director
Suneet Y. Kothari

*Vice President
(Technical)*
Sameer S. Katdare

*Vice President
(Manufacturing)*
R. N. Iyer

*Chief Financial
Officer*
R. S. R. Murthy

*General Manager
(Corporate Personnel
& Admn.)*
S. S. Khade

*General Manager -
Materials*
S. V. Dandekar

*General Manager
(Technology
Development)*
S. Saimani

*General Manager
(Secretarial & Legal)*
K. P. Rajagopalan

Non-Executive Directors :**Hemendra M. Kothari****Shyam B. Ghia****Shobhan M. Thakore****Dilip G. Piramal****Premal N. Kapadia****K. R. V. Subrahmanian****Tarjani Vakil****N. Shankar** (Nominee Director)**Registered Office :**

401-407, Nirman Vyapar Kendra,
Plot No. 10, Sector 17, DBC, Vashi, Navi Mumbai 400 703.
Ph. 67946618 • Fax : 67946666 • Email : investorinfo@alkylamines.com

Plants :**Patalganga Plant**

Plot No. A-7 & A-25,
MIDC Patalganga Industrial Area, Dist. Raigad 410 220, Maharashtra

Kurkumbh Plant :

Plot No. D-6/1, MIDC Kurkumbh Industrial Area,
Tal. Daund, Dist. Pune - 413802, Maharashtra

Auditors

Messrs Banshi S. Mehta & Co.

Bankers

State Bank of India
Bank of Baroda
UTI Bank Ltd.

Registrar & Transfer Agents**Sharex Dynamic (India) Pvt. Ltd.**

Fort Office : 17/B, Dena Bank Building, 2nd floor, Horniman Circle, Fort,
Mumbai - 400 001. Ph.: 22702485, 22641376 • Fax : 022 22641349

Branch Office : Unit No. 1, Luthra Ind. Premises, Andheri Kurla Road,
Safed Pool, Andheri (E), Mumbai - 400 072

Ph.: 28515606, 28515644 • Fax : 022 2851 2885

Email : sharexindia@vsnl.com • Website : www.sharexindia.com

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Registered office: 401-407 Nirman Vyapar Kendra,
Plot No. 10, Sector 17, DBC, Vashi, Navi Mumbai-400 703

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 27th Annual General Meeting of **ALKYL AMINES CHEMICALS LIMITED** will be held at Chandragupt Hall, 2nd Floor, Hotel Abbott, Sector 2, Vashi, Navi Mumbai 400 703 on Wednesday, the 25th July, 2007 at 2.30 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2007, Profit and Loss Account for the year ended on that date and the reports of Directors and Auditors thereon.
2. To declare dividends for the financial year ended 31st March, 2007.
3. To appoint a Director in place of Mr. Hemendra M. Kothari, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Dilip G. Piramal, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Suneet Kothari, who was appointed as an Additional Director of the Company on January 24, 2007 under Article 140 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 260 of The Companies Act, 1956, but being eligible, offers herself for re-appointment and in respect of whom the Company has received a notice in writing from a shareholder proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company.

7. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to the provisions of

Section 198, 269, and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, and subject to any other approval as may be necessary, the Company hereby approves the terms of appointment and remuneration of Mr. Suneet Kothari as Executive Director of the Company for the period from January 24, 2007 to December 31, 2011, on terms and conditions as set out in the Explanatory Statement annexed hereto, with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment as may be agreed between the Board and Mr. Suneet Kothari."

8. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to the provisions of Section 198, 269, and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, and subject to any other approval as may be necessary, the Company hereby approves the terms of re-appointment and remuneration of Mr. Kirat Patel as Executive Director of the Company for a further period of 5 years from January 1, 2007 to December 31, 2011, on terms and conditions as set out in the Explanatory Statement annexed hereto, with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment as may be agreed between the Board and Mr. Kirat Patel."

9. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a **Special Resolution**:

"RESOLVED that pursuant to the provisions of Sections 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, the Directors of the Company (other than the Managing Director and the Executive Directors) together be paid a commission of such an aggregate amount as may from time to time be determined by the Board of Directors but not exceeding 1% of the net profits of the relevant accounting year of the Company as computed in the manner prescribed under section 198 of the said Act and the said aggregate amount shall be

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divided amongst such Directors in such proportion and in such manner as may be decided by the Board of Directors in that behalf".

"RESOLVED FURTHER that the commission as aforesaid shall be payable to the directors (other than the Managing Director and the Executive Directors) of the Company, commencing from the accounting year beginning on 1st April, 2007 for a period of 5 years".

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to take such steps as may be necessary and desirable to give effect to this Resolution".

NOTES

1. The relative explanatory statement pursuant to the provisions of Corporate Governance and pursuant to section 173 of the Companies Act, 1956 is enclosed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
3. The register of members and Share Transfer Books will remain closed from 18th July, 2007 to 25th July, 2007 (both days inclusive) for the purpose of Annual General Meeting and Dividend.
4. Dividend, if declared at the meeting, will be paid on or after 1st August, 2007 to those shareholders whose names appear in the Register of Members of the Company or in the Register of Beneficial Owners maintained by the Depositories as at the close of their business hours on 17th July, 2007.
5. Please note that pursuant to Section 205C of the Companies Act, 1956 all unclaimed/unpaid dividends upto December 1999 have been transferred to the Account of Central Government.
6. We have been offering the facility of electronic credit of dividend directly to the respective bank accounts of our shareholders, through Electronic Clearing Service (ECS). This is in addition to the Bank mandate facility that already exists whereby bank account details are printed on the dividend warrants. Shareholders who would like to avail of the ECS facility or the Bank mandate facility (if not done earlier) are requested to complete and submit the ECS/Bank Mandate Form that is also sent with this Annual Report to the Company's Registrar and Transfer Agents so as to reach them

latest by July 17, 2007. Kindly note that shareholders holding shares in dematerialised form would receive their dividend directly to the bank account nominated by them to their Depository Participant, as per SEBI directives.

7. The members are requested to notify change of address, if any, to the Company's Registrar and Transfer Agent.
8. The shareholders holding shares in physical form are once again advised to seek their shareholding changed to dematerialized form since in terms of SEBI and Stock Exchange guidelines no physical shares can be traded in the Stock Exchanges.
9. The members may note that the company's Equity Shares are listed on the Mumbai Stock Exchange Ltd. and the listing fees to the stock exchange have been paid.

By order of the Board

K. P. RAJAGOPALAN

General Manager (Secretarial & Legal)

Registered Office :

401-407, Nirman Vyapar Kendra,
Plot No. 10 Sector 17,DBC
Vashi, Navi Mumbai 400 703.

Dated : June 14, 2007.

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT AS REQUIRED UNDER CORPORATE GOVERNANCE AND PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956****ITEM 3**

Mr. H.M. Kothari retires by rotation at the ensuing Annual General Meeting, and being eligible, has offered himself for reappointment.

Mr. H.M. Kothari has been on our Board since October 18, 1980. Mr. H.M. Kothari is the Chairman of DSP Merrill Lynch Limited, the leading Investment Bankers in India and also Chairman of DSP Merrill Lynch Fund Managers Ltd.

He is also on the Board of the following Public Ltd. Companies.

1. Peninsula Land Ltd.
2. Kirloskar Oil Engines Ltd.
3. EXIDE Industries Limited
4. Food World Super Markets Ltd.
5. Health & Glow Retailing Ltd.

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It will be in the interest of the Company that Mr. H.M. Kothari continues as Director of the Company. Mr. Yogesh M. Kothari & Mr. Suneet Y. Kothari, being relatives of Mr. H.M. Kothari, may be considered to be interested in this resolution.

ITEM 4

Mr. D. G. Piramal retires by rotation at the ensuing Annual General Meeting, and being eligible, has offered himself for reappointment.

Mr. D.G. Piramal has been on the Board of the Company since October 18, 1980. Mr. D.G. Piramal is a leading industrialist and Chairman of VIP Industries Limited. He is also on the Board of the following Public Limited Companies:

1. DGP Securities Limited
2. Kiddy Plast Limited
3. Aristocrat Luggage Ltd.
4. Quality Plastics Ltd.
5. DGP Capital Management Ltd.
6. KEC International Ltd.

With his vast experience in the Industry, it will be in the interest of the Company that Mr. Piramal continues as Director of the Company. Except Mr. Piramal, no other Director is interested in this resolution.

ITEM 6 and 7

At the Board Meeting held on January 24, 2007, the Directors had appointed Mr. Suneet Kothari as an Additional Director of the Company. Pursuant to Section 260 of the Companies Act, 1956, read with Article 140 of the Articles of Association of the Company, Mr. Suneet Kothari holds office only upto the date of the Annual General Meeting. Notice, in writing, has been received from a shareholder of the company, pursuant to Section 257 of The Companies Act, 1956, signifying his intention to propose Mr. Suneet Kothari as candidate for the office of Director.

The Board of Directors has appointed Mr. Suneet Kothari as Executive Director for the period from January 24, 2007 to December 31, 2011 upon the terms and conditions including remuneration as set out hereunder.

The appointment of Mr. Suneet Kothari as an Executive Director and the remuneration proposed to be paid or granted to him are in conformity with the provisions and requirements of Schedule XIII to the Companies Act, 1956. Accordingly no approval of the Central Government is required to be obtained to the appointment of Mr. Suneet Kothari as an Executive Director.

The information required to be disclosed to the shareholders as per Schedule XIII to the Companies Act, 1956 is as under:

The Company is engaged in the manufacture of Speciality Chemicals, i.e. Aliphatic Amines and Amines Derivatives. The Company started commercial production in 1982. During the financial year ended 31st March, 2007, the gross income was Rs. 152 crores and the Company made a profit before tax of Rs.11.24 crores. The Company has achieved the export sales of Rs.24.99 crores during the Financial Year ended on 31st March, 2007.

For more details about the operations of the company, please refer to the Management Discussion and Analysis Report attached to Directors' Report.

There are no foreign investments or collaborations in the Company, except investment by Non-resident Indians.

Mr. Suneet Kothari is working with us since January 15, 2001. Mr. Suneet Kothari aged 30 years, is a Chemical Engineer and Chemistry/Biochemistry Graduate from Cornell University, U.S.A. Prior to employment with us, he has one and half years' experience with Diamond Technology Partners, U.S.A. as a Management Strategy Consultant. During his tenure with us since January 2001, he played a significant role in setting up the new product development effort and seeing it started off successfully. He has successfully completed a one year MBA (Masters in Business Administration) course at INSEAD, France / Singapore.

Present remuneration of Mr. Suneet Kothari, as approved by the shareholders and Central Government, is in the range of Rs.50,000 to Rs.1,00,000 per month plus other perquisites like medical, LTA, Mediclaim, Provident Fund, Gratuity, etc.

The material terms of the draft agreement between the company and Mr. Suneet Kothari and the revised remuneration with effect from 1.4.2007 is as under:

- a) Salary : In the range of Rs.80,000/- to Rs.1,60,000/- per month with authority to the Board of Directors to revise it from time to time.
- b) House Rent Allowance: Not exceeding 60% of basic salary.
- c) Medical reimbursement - Reimbursement of actual medical expenses/premium on Mediclaim policy incurred for self and family not exceeding Rs.30,000/- per annum.
- d) Leave Travel Concession - Reimbursement of actual expenses for self and family once in a year to and fro to any place not exceeding Rs.50,000/- per annum.
- e) Premium on Personal Accident/Critical Illness/life for self not exceeding Rs.7,000/- per annum.

For the purpose of this category, 'family' means

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the spouse, the dependent children and dependent parents.

- f) Use of company car and re-imbursement of driver's salary.
- g) Telephone facilities
- h) Provident Fund - Company's contribution to Provident Fund.
- i) Education Allowance: Rs.12,000 per annum.
- j) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- k) Commission: One percent commission on net profit as calculated under the applicable provisions of The Companies Act, 1956.
- l) The Executive Director shall be entitled on full pay and allowance, as per rules of the company, not more than 36 days' leave per annum. The leave accumulated but not availed of can be encashed by him.
- m) The Executive Director shall be entitled to be reimbursed in respect of all expenses incurred by him (including travelling, entertainment, etc.) for and on behalf of the company.
- n) In the event of loss or inadequacy of profits, he shall be paid the above remuneration, except commission on profits, provided that the total remuneration shall not exceed the ceilings mentioned in Schedule XIII of the Companies Act, 1956.

The remuneration payable to Mr. Suneet Kothari is in consonance with the remuneration being paid by the other companies of similar size in the industry to their managerial personnel.

Mr. Suneet Kothari is son of Mr. Yogesh M. Kothari, who is the Promoter of the Company. He holds 76662 equity shares (constituting 0.87% of the equity capital) of the company.

This may please be treated as an abstract of the terms and conditions regarding appointment of Mr. Suneet Kothari as an Executive Director pursuant to the provisions of section 302 of The Companies Act, 1956.

Draft of the agreement proposed to be entered into between the company and Mr. Suneet Kothari is open for inspection by the members during business hours at the Registered Office of the company.

Mr. Suneet Y. Kothari is interested in this resolution as it relates to his own appointment. Mr. Yogesh M. Kothari and Mr. Hemendra M. Kothari, may also be considered to be interested in the Resolution, since Mr. Suneet Kothari is their relative.

ITEM 8

At the Annual General Meeting held on July 26, 2002 the shareholders had approved appointment of Mr. Kirat Patel as Executive Director for a period of 5 years from January 1, 2002 to December 31, 2006. The Board of Directors at its meeting held on January 24, 2007 has reappointed Mr. Kirat Patel as Executive Director for a further period of 5 years from January 1, 2007 to December 31, 2011 upon the terms and conditions including remuneration as set out hereunder.

The reappointment of Mr. Kirat Patel as an Executive Director and the remuneration proposed to be paid or granted to him are in conformity with the provisions and requirements of Schedule XIII to the Companies Act, 1956. Accordingly no approval of the Central Government is required to be obtained to the appointment of Mr. Kirat Patel as an Executive Director.

Further information required to be disclosed to the shareholders as per Schedule XIII to the Companies Act, 1956 is as under:

Mr. Kirat Patel, aged 54, is B.Tech., Mechanical Engineering from Indian Institute of Technology, Mumbai, and M.M.S. (Finance) from Jamnalal Bajaj Institute of Management, Mumbai, and has been working with the Company since its inception. He is also Director of Diamines & Chemicals Limited, Alkyl Speciality Chemicals Limited and IIT Bombay Alumni Association, Mumbai.

Present remuneration of Mr. Kirat Patel, as approved by the shareholders, is Rs.1,00,000 per month plus other perquisites like HRA, Medical, LTA, Medclaim, Provident Fund, Gratuity, etc. He is also entitled for 1% commission on net profits.

The material terms of the draft agreement between the company Mr. Kirat Patel are as under :

- a) Basic Salary : In the range of Rs.100,000/- per month to Rs.2,00,000/- per month over the period of 5 years.
- b) House Rent Allowance : 60% of basic salary
- c) Medical reimbursement: Reimbursement of actual medical expenses/premium on Medclaim policy incurred for self and family not exceeding Rs.50,000 per annum.
- d) Leave Travel Concession : Reimbursement of actual expenses for self and family once in a year to and fro to any place not exceeding Rs.75,000/- per annum.
- e) Premium on Personal Accident Insurance/critical illness/life for self not exceeding Rs. 10,000/- per annum.

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- f) Use of company car and re-imbursement of driver's salary.
- g) Telephone facilities
- h) Provident Fund: Company's contribution to Provident Fund
- i) Education allowance: Rs.12,000/- per annum
- j) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- k) Commission: One percent commission on net profit as calculated under the applicable provisions of the Companies Act, 1956.
- l) The Executive Director shall be entitled on full pay and allowance, as per rules of the company, not more than 36 days' leave per annum. The leave accumulated but not availed of can be encashed by him.
- m) The Executive Director shall be entitled to be reimbursed in respect of all expenses incurred by him (including travelling, entertainment, etc.) for and on behalf of the company.
- n) In the event of loss or inadequacy of profits, he shall be paid the above remuneration, except commission on profits, provided that the total remuneration shall not exceed the ceilings mentioned in Schedule XIII of the Companies Act, 1956.

The remuneration payable to Mr. Kirat Patel is in consonance with the remuneration being paid by the other companies of similar size in the industry to their managerial personnel.

Mr. Kirat Patel holds 7632 equity shares (constituting 0.08% of the equity capital) of the company.

This may please be treated as an abstract of the terms and conditions regarding the re-appointment of Mr. Kirat Patel as an Executive Director pursuant to the provisions of section 302 of the Companies Act, 1956.

Draft of the agreement proposed to be entered into with Mr. Kirat Patel is open for inspection by the

members during business hours at the Registered Office of the company.

Mr. Kirat Patel is interested in the Resolution, since it relates to his own re-appointment.

ITEM NO. 9

At the Annual General Meeting held on July 26, 2002 the shareholders had approved payment of a commission not exceeding 1% of the net profits of the company to the Directors (other than Managing Director and the Executive Director) for the period commencing from the accounting year beginning from 1st April, 2002. As the provision for payment of commission was upto the Accounting Year ended on March 31, 2007, a fresh resolution is proposed approving payment of commission not exceeding 1% of the net profits to the Directors (other than Managing Director and the Executive Directors) for a further period of 5 years commencing from the accounting year beginning 1st April 2007.

The increasing business activities of the company require the Board of Directors to devote more time and attention. Hence, it is considered fair and proper to compensate the Directors for the services rendered by them to the company, by paying of the appropriate amount by way of commission on the net profits of the company.

All the Directors of the company (except Mr. Kirat Patel) may be regarded as concerned or interested in the Resolution.

By Order of the Board

K.P. RAJAGOPALAN

General Manager (Secretarial & Legal)

Registered Office :

401-407, Nirman Vyapar Kendra
Plot No.10, Sector 17, DBC,
Vashi, Navi Mumbai 400 703

Dated : June 14, 2007.

ALKYL AMINES CHEMICALS LIMITED**ANNUAL REPORT 2006-2007****DIRECTORS' REPORT TO THE MEMBERS**

Dear Shareholders,

We are presenting the 27th Annual Report and the Audited Statement of Accounts of the Company for the financial year ended March 31, 2007.

1. FINANCIAL HIGHLIGHTS & APPROPRIATION

	2006-2007 (Rs. in lacs)	2005-2006 (Rs. in lacs)
Gross Total Income	15160	12955
Profit before interest, depreciation & taxation	2492	1636
Interest & financial expenses	757	538
Depreciation	611	495
Profit before tax	1124	603
Provision for taxation:		
a. Current Income tax/wealth tax	115	46
b. MAT Credit Adjustments	-25	0
c. Fringe Benefit Tax	9	11
d. Deferred Income tax	202	136
Profit after Taxation	823	410
Add: Adjustments relating to earlier years	43	7
	866	417
Add: Balance Profit b/f	564	371
Profits available for appropriation	1430	788
Transfer to General Reserve	87	42
Preference Dividend	17	0
Equity Dividend	195	160
Tax on Dividends	36	22
Balance profit carried to Balance Sheet	1095	564

2. DIVIDENDS:

We recommend for your approval payment of dividend @6% on 10,00,000-6% Cumulative Redeemable Optionally convertible Preference Shares of Rs.100/- each (pro-rata from the date of allotment) and dividend at 22% on Equity Shares of Rs.10/- each for the year ended March 31, 2007 (Previous Year: 18% on equity shares). The total amount of dividend including Income tax thereon would amount to Rs. 248.18 lacs (Previous Year Rs.181.95 lacs).

3. SHARE CAPITAL:

Pursuant to the consent given by the shareholders at the Extraordinary General Meeting held on 27th November, 2006, the Directors have on December 18, 2006 allotted 10,00,000-6% Cumulative Redeemable Optionally Convertible Preference Shares of Rs.100/- each of the aggregate value of Rs.10 Crores to the Promoter Mr. Yogesh M. Kothari. These preference shares are convertible into equity shares, at the option of the Shareholder, not later than 18 months from the date of allotment at a rate of Rs.75/- per equity share (i.e. Rs.10/- towards face value and Rs.65/- towards premium). If the option is exercised by the Shareholder, the total equity share capital will be increased by 13,33,333 equity shares of Rs.10 each and the equity share capital will increase to Rs.10.20 crores.

4. OPERATIONS

Total income (gross) for the year 2006-07 was Rs.15160 lacs compared to Rs. 12955 lacs for the year 2005-2006 registering an increase of 17%. The Profit before tax (after interest and depreciation charges) increased to Rs.1124 lacs compared to Rs. 603 lacs of the previous year, i.e. an increase of 86%. During the year 2006-2007 we have achieved profit after tax of Rs.823 lacs compared to Rs.410 lacs of the previous year, i.e. an increase of 101%.

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Further details of operations are given in the Management Discussion and Analysis Report annexed (Annexure 1).

5. EXPORTS/ FOREIGN EXCHANGE:

During the year 2006-2007, we achieved an export turnover of Rs. 2499 lacs (FOB) compared to Rs. 1807 lacs (FOB) of the previous year. During the year we have utilised a sum of approx. Rs. 1046 lacs in foreign currency mainly to import raw materials.

6. ASSOCIATE/SUBSIDIARY COMPANIES**a. Diamines & Chemicals Limited, Vadodara:**

Diamines and Chemicals Ltd., Vadodara, our associate company, has achieved a total income of Rs.2679 lacs as against Rs. 2440 lacs of the previous year and a profit after tax of Rs. 688 lacs as against Rs.611 lacs of the previous year. The Board of Directors of DACL has recommended a final dividend of 25% in addition to 15% interim dividend already declared and paid, making the total dividend for the year 2006-07 to 40% as against 50% equity dividend of the previous year.

b. Alkyl Speciality Chemicals Limited:

We have received maiden dividend of 10% amounting to Rs.16.38 lacs from our subsidiary company, Alkyl Speciality Chemicals Ltd., who achieved a total income of Rs.229.73 lacs (Previous Year: Rs.275.42 lacs) and a profit before tax of Rs.32.76 lacs (Previous Year: Rs.5.75 Lacs). After making provision for taxation of Rs.11.80 lacs (Previous Year: Rs.15.58 lacs net deferred tax credit), the profit after tax amounts to Rs.20.96 lacs compared to profit of Rs. 21.34 lacs of the previous year. The carry forward loss in this company is Rs. 36.98 lacs compared to Rs. Rs.39.08 lacs of the previous year. To consolidate the operations of the group, we have decided to route most of the indenting and stock and sale business through our company.

Copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Company, Alkyl Speciality Chemicals Limited, has not been sent with the Annual Report of the Company. The Company will make available these documents, upon request, by any member of the company interested in obtaining the same. However, pursuant to Accounting Standard AS21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company include the financial information of the subsidiary company. The Annual Accounts of the Subsidiary is available for inspection by any member at the registered office during business hours.

7. CONSERVATION OF ENERGY:

Considering the importance of energy conservation, your Company has taken various measures for conservation of energy. These include de-bottlenecking to enhance plant capacity, planned production at optimum levels, regular monitoring of electricity and fuel consumption and corrective steps wherever required and utilisation of by-product steam.

We have set up at Kurkumbh a cogeneration plant to meet captive power and steam requirement with the use of bagasse/coal as fuel (instead of furnace oil / LSHS) thereby reducing fuel and power costs. The plant has been commissioned and optimization trials are in progress. We are also in the process of setting up a boiler project at Patalganga which will use coal as fuel instead of fuel oil. The project is expected to be commissioned in the second quarter of 2007. The benefits arising from this project will be reflected in the results of coming years.

More details are given in Annexure 2 (Form A) annexed to this report.

8. TECHNOLOGY ABSORPTION/ R & D

The information required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in Annexure 3 (Form B) attached to this report.

9. SAFETY, HEALTH AND ENVIRONMENT:**(a) Environment Management System:**

We have obtained certification for Environment Management System ISO 14001 for our Patalganga Plant. We are in the process of implementing ISO 14001 for our Kurkumbh Plant.

(b) Safety – We encourage a high level of awareness of safety issues among our employees and strive for