

KNOWLEDGE




FORWARD LOOKING STATEMENTS

IN THIS ANNUAL REPORT, WE HAVE DISCLOSED FORWARD-LOOKING INFORMATION TO ENABLE INVESTORS TO COMPREHEND OUR PROSPECTS AND TAKE INFORMED INVESTMENT DECISIONS. THIS REPORT AND OTHER STATEMENTS - WRITTEN AND ORAL - THAT WE PERIODICALLY MAKE, CONTAIN FORWARD-LOOKING STATEMENTS THAT SET OUT ANTICIPATED RESULTS BASED ON THE MANAGEMENT'S PLANS AND ASSUMPTIONS. WE HAVE TRIED WHEREVER POSSIBLE TO IDENTIFY SUCH STATEMENTS BY USING WORDS SUCH AS 'ANTICIPATE', 'ESTIMATE', 'EXPECTS', 'PROJECTS', 'INTENDS', 'PLANS', 'BELIEVES', AND WORDS OF SIMILAR SUBSTANCE IN CONNECTION WITH ANY DISCUSSION OF FUTURE PERFORMANCE.

WE CANNOT GUARANTEE THAT THESE FORWARD-LOOKING STATEMENTS WILL BE REALISED, ALTHOUGH WE BELIEVE WE HAVE BEEN PRUDENT IN ASSUMPTIONS. THE ACHIEVEMENT OF RESULTS IS SUBJECT TO RISKS, UNCERTAINTIES AND EVEN INACCURATE ASSUMPTIONS. SHOULD KNOWN OR UNKNOWN RISKS OR UNCERTAINTIES MATERIALISE OR SHOULD UNDERLYING ASSUMPTIONS PROVE INACCURATE, ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE ANTICIPATED, ESTIMATED OR PROJECTED. READERS SHOULD BEAR THIS IN MIND. WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

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WHEN you only make investments in fixed assets, returns decline over time.

However, when you make investments in acquiring product, process and domain knowledge you gain core competence. This allows you to become a niche player and attain leadership position.

This is what we have achieved over the years.

On one hand we grew our capacities, while on the other we focused on achieving quality excellence.

On one hand we strengthened our team with experts, while on the other we continuously focused on operational excellence.

On one hand we spread out to newer geographies and gained new customers, while on the other we strengthened relations with existing customers.

These efforts define our character and intent. They have made us a much stronger, reliable and reputed dyes and pigments manufacturer on a global scale.

KNOWLEDGE IS

THE EDGE.



AT AksharChem, we leveraged the power of knowledge to create an organisation of repute using unique processes for manufacturing quality products with a concern for environment.

Resulting in higher margins on one hand and maintaining customer base on the other.

Legacy

The Company was promoted by Mrs. Paru M. Jaykrishna in 1989. It is headquartered in the chemical belt of Mehsana (Gujarat). It is engaged in the business of dyes and pigments manufacturing. The Company's shares are listed in the BSE Limited (BSE) and Ahmedabad Stock Exchange Limited (ASE).

Awards and accolades

Recipient of following awards from CHEMEXCIL for outstanding export performance in Merchant Exporters Panel in the respective year:

- First Award (2011-12)
- Gold Award (2012-13)
- Trishul Award (2014-15)

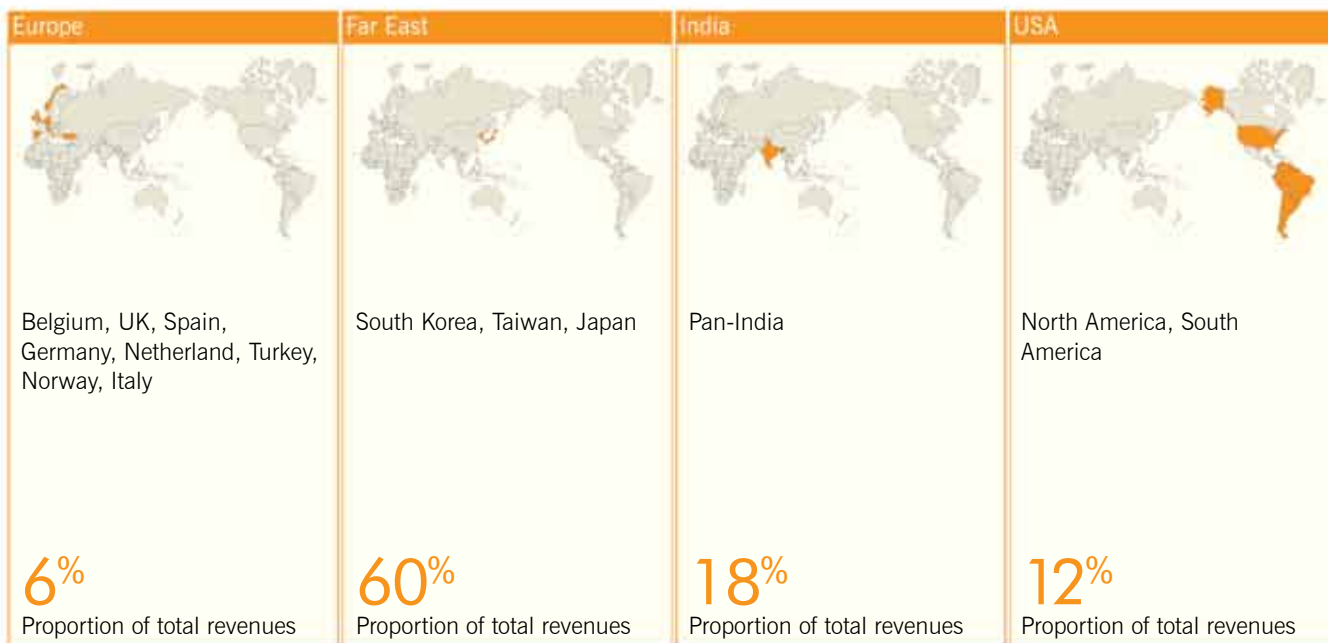
Recipient of following awards from The Gujarat Dyestuffs Manufacturers Association (GDMA):

- Second Award for self-manufactured direct export of Dye Intermediates during the year 2014-15
- Special Trophy for self-manufactured direct export of Dyes of Rs. 25 Crores and above during the year 2014-15
- Trophy for self-manufactured domestic sale of Dye Intermediates between Rs. 5 Crores to Rs. 15 Crores during the year 2014-15

Manufacturing capacity

9,240^{MT}
Dyes and pigments

Presence in key markets



Key marketing strategies:

- Increase participation in trade exhibition, advertisements in trade journals and improving packing and product safety as major tools for market and brand promotions.

- Increase focus and strengthen presence in the South-east Asian markets, which is one of the fastest growing markets, to achieve an estimated 5% annual revenue growth from the region.

- Expand domestic sales through enhancing focus on plastic industries that continues to grow at 10% annually for past several years offering significant opportunities for colorants industries.

- Enhance customer base in the plastic and packaging inks industry that are expected to grow strongly in the coming years.

Distribution and logistics

- Focus on integrate strategies for betterment planning and supply chain management.

- Scheduling production, managing stock level and shipping of product to customers worldwide.

- Reducing logistic complexity and offering better customer service through various distribution channels.

- Intensify focus on production, application profile and research and development to explore possibilities for new market segment.

Accomplishments

ISO 9001: 2008
Quality

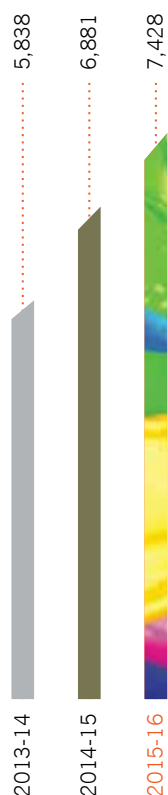
ISO 14001:2004
Environment protection

CARE A/CARE A1
Credit rating indicating very strong degree of safety regarding timely payment of financial obligations.

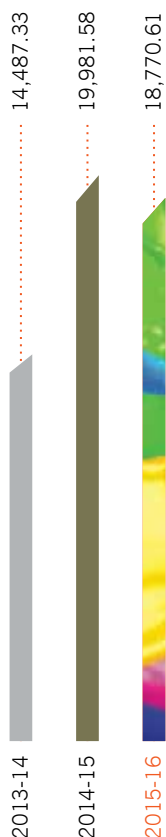
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and its role in our performance over the years.

Dyes and pigments production
(metric tonnes)



Revenue from operations
(Rs. lacs)



EBITDA
(Rs. lacs)



Profit after tax
(Rs. lacs)



Note: Year 2013-14 does not include the figures of pigments.

37.91%

Revenue growth –
CAGR FY12-16

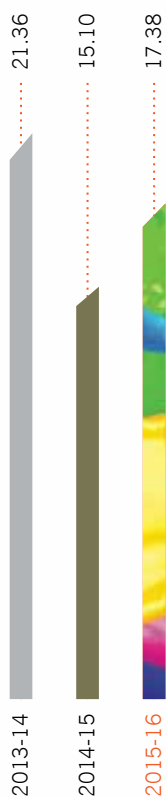
58.56%

Net Worth growth –
CAGR FY12-16

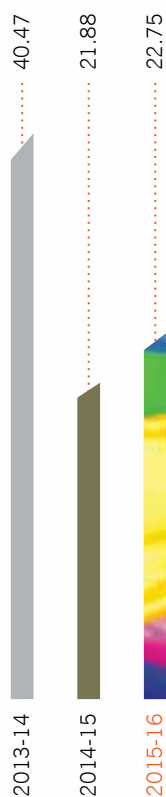
81.76%

Proportion of exports
sales in 2015-16

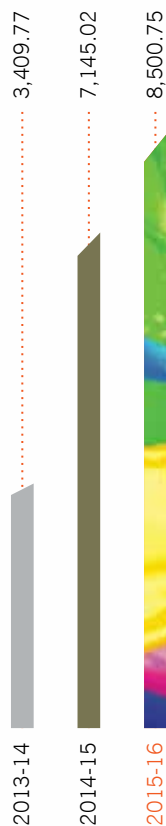
EBITDA margin
(in %)



Earnings per share
(In Rs.)



Net Worth
(Rs. lacs)



0.37

Debt:equity as on
March 31, 2016

11,985.84

Market capitalization as on
March 31, 2016.

105

Employee strength as
on March 31, 2016

I believe that knowledge is the single-most important element in any business. The quest for knowledge is interminable. The moment you stop seeking knowledge, you stop growing. It is this hunger for knowledge that has brought us here and it is the desire to gain more knowledge that shall take us beyond.



Dear Shareholders,

I am pleased to present to you the 2015-16 annual report of the Company. The year has been a challenging one for the industry as slowing global economy led to sluggish demand from the global textiles and paints industry. Geopolitical tensions, slowdown in global trade, weakening oil prices and instability in financial markets continue to weigh down the global economic sentiments.

This turbulence led to a decline in the prices of our products. As a result, despite a 5.31% growth in sales volumes our revenues declined 6% from Rs. 19,982 lakhs in 2014-15 to Rs. 18,771 lakhs in 2015-16. However, initiatives to enhance shop floor management, operational efficiencies, supply chain efficiencies and optimum utilisation of resources enabled us to reduce overheads and achieve higher margins. Our EBITDA and PAT margins increased 228 and 86 basis points respectively to 17.38% and 8.86% respectively in 2015-16.

The key challenges faced by the industry in the international market are the escalating manufacturing costs driven by high finance and electricity costs. Though, your Company is in a comfortable

position with an interest cover of 11.61x in 2015-16 compared to 9.56x in 2014-15 and a debt:equity of 0.37 as on March 31, 2016; a decline in such costs would make our product more competitive in the international markets and enhance overseas revenues that account for nearly 81.76% of the total sales.

The knowledge edge

The chemical business space is all about knowledge cycle – acquiring, exploring, reaching depths, widening scope, innovating and then again acquiring new one. I am glad that through years of hard work and perseverance we developed core competencies (in the field of dyes and pigments manufacturing) and an ability to constantly improve processes and quality. This puts us amongst the unique league of low-cost, quality-conscious and environment-friendly companies. Our reputation in the industry has enabled us to expand geographically, even to countries that have strict quality and environment compliance norms. Moreover, most of our customers are leading and internationally renowned downstream chemical companies. Some of the initiatives undertaken by us to sharpen

our knowledge edge include:

- Employing the best R&D experts and providing them a conducive work and learning environment to enable them nurture their skills and focus on product and process improvements. These experts are also motivated to participate in various international seminars to gain and share knowledge.
- Providing regular training to employees from internal as well as external sources for advancement and upgradation of the technology and work culture.
- Being proactive and setting-up a world-class environment management systems and effluent treatment plant to reduce carbon footprint. Placing us amongst the few companies meeting the stringent international environment compliances. Though, such investments led to increase in debt cost in short-term, in the long-run it shall provide significant revenue growth visibility by providing us the necessary environment clearance to easily enter new region and market our products.

Demand scenario

As per the IMF, the global economy is expected to witness slower growth in

2016 growing 3.1% and then pick up momentum by growing 3.4% in 2017. The US market is expected to improve backed by reviving housing industry, strengthening balance sheet and no fiscal drag. Euro area would remain sluggish driven by ageing population, low demand and implications of Brexit. While the emerging and developing nations are expected to sustain its growth momentum and drive the overall global economy growth. The economic growth in these nations is expected to drive the global textiles and paints industry in the near future.

The global textile market is expected to grow from 76 million tonnes (worth USD 1,500 bn) in 2012 to 95 million tonnes (USD 1,800 bn) in 2020 driven by strong apparel demand from the Asia Pacific, Middle East & Africa and Latin America. While the global paints and coatings market is expected to grow at a compounded rate of 5.5% during 2014-20 from USD 121.9 bn in 2013 to USD 176.5 bn in 2020. (Source: World Economic Outlook: IMF, GherziTextil Organisation, Persistence Market Research)

Message to shareholders

We strongly focus on augmenting our research and development activities with the objective of widening our product line and customer base. Further, the Company plans to debottleneck existing capacities to enhance production capacity with relatively lower capital investment.

With the expected near-term revival of the global textiles and paints market, the Company through its knowledge, experience, scale and strong product portfolio is ready to capitalise on the opportunity and grow strongly in the coming years while reinforcing our positions the most profitable dyes and pigments manufacturer in the world.

Regards,



Mrs. Paru M. Jaykrishna
Chairperson

Highlights 2015-16

- Achieved 80% capacity utilisation through better planning and ensuring higher plant uptime.
- Invested in packaging

automation system for better packaging quality, reducing manual errors and speeding up operations.

- Enhanced negotiation skills with suppliers and secured

supply of key raw materials by entering into long term contracts.

- Provided training to technical and shop floor personnel with a focus on

enhancing productivity.

- Enhanced overseas operations through acquiring new customers.

