



AksharChem

AKSHARCHEM (INDIA) LIMITED
Annual Report 2016-17

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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These are some extraordinary achievements that have made us proud over the years. However, when it comes to long-term business sustainability, there is one thing that analysts and stakeholders bank on – STRONG PERFORMANCE.

Strong performance is a result of years of efforts. It is a measure of effectiveness of the Company's strategic decisions. It reemphasizes the robust present foundation of the Company and its future readiness.

At AksharChem, our sustained strong performance has enabled us to revitalize customer trust while delivering prosperity to the customers. 2016-17 was one such year that proved again that we just don't make strategies, rather we act and deliver.

This is how we have delivered to our shareholders in 2016-17:

38%	147%	212%	344%	57.45%
Growth in revenues	Growth in EBITDA	Growth in profit after tax	Growth in market capitalisation	Growth in net worth

And we have not just stopped here.

We are taking forward this momentum by making investments in adding more capacities, integrating backwards, enhancing our environment sustainability and achieving operational efficiencies for a sustainable future.

VISION

To emerge as a global leader in supply of Vinyl Sulphone and Pigment Green 7 with complete commitment and dedication on standards, quality, productivity and customer satisfaction.

MISSION

Focus on enhancing operational excellence and environment sustainability through adopting best manufacturing policies. Continuously strive to enhance customer satisfaction by providing the highest quality of products and services.

AKSHARCHEM (INDIA) LIMITED, IN 27 YEARS OF ITS EXISTENCE, HAS SIGNIFICANTLY EVOLVED AS AN ORGANISATION FOCUSED ON BUILDING A SUSTAINABLE FUTURE.

FROM SINGLE PRODUCT TO MULTI-PRODUCT. FROM COMMODITISED TO VALUE-ADDED. FROM ONE-OFF TRANSACTIONS TO ENDURING RELATIONS. FROM SINGLE GEOGRAPHY TO MULTI-GEOGRAPHY.

EMERGING AS ONE OF THE WORLD'S LEADING AND THE FASTEST GROWING DYES AND PIGMENTS MANUFACTURERS. ACCOUNTING FOR 45% SHARE IN INDIA'S VINYL SULPHONE EXPORTS AND ~10% SHARE IN GLOBAL CPC GREEN PIGMENT MANUFACTURING.

CORPORATE PROFILE

AksharChem (India) Ltd., promoted by Mrs. Paru M. Jaykrishna in 1989, is headquartered in the chemical belt of Mehsana (Gujarat). It is engaged in the business of manufacturing dyes and pigments that are sold in India and exported to countries in Europe, Far East, South East Asia, China, USA. The Company's shares are listed in the BSE Limited (BSE), National Stock Exchange of India Limited (NSE) and Ahmedabad Stock Exchange Limited (ASE).

CERTIFICATIONS

- ISO 9001:2015 for quality
- ISO 14001:2004 for environment
- Credit rating of CARE A+ for long term facilities and CARE A1+ for short term facilities

AWARDS AND ACCOLADES

- Award of Excellence from CHEMEXCIL for the year 2015-16 for dyes and dyes intermediate panel (small scale sector)
- Recipient of following awards from The Gujarat Dyestuffs Manufacturers Association (GDMA):
 - **Third** Award for self-manufactured direct export of Dye Intermediates in 2015-16
 - **Third** Award for self-manufactured direct export of Dyes in 2015-16
 - **Trophy** for self-manufactured domestic sale of Dyes between Rs. 5 Crores to Rs. 15 Crores in 2015-16

- **Trophy** for self-manufactured domestic sale of Dye Intermediates of more than Rs. 15 Crores but less than Rs. 25 Crores in 2015-16

- The Company's CMD, Mrs. Paru M. Jaykrishna, was adjudged the Top Performer Women Entrepreneur Award in the Non-MSME category (for year 2014-15) by Federation of Indian Export Organisation.

PRODUCT PORTFOLIO

Product	End user industry
■ Dye intermediates (Vinyl Sulphone)	■ Textile industry
■ Pigments (CPC Green)	■ Printing ink ■ Paint ■ Rubber ■ Plastics ■ Leather

9,720 MT

Dyes and pigments manufacturing Capacity

90%

Share of export revenues in 2016-17

532 crs

Market Capitalisation as on March 31, 2017

0.2

Debt: equity as on March 31, 2017



"THE STRONG PERFORMANCE THAT THE COMPANY HAS DISPLAYED IN RECENT YEARS IS NOT JUST A ONE-TIME AFFAIR.

A COMBINATION OF DEEP COMMITMENT, ROBUST BUSINESS MODEL AND INVESTMENTS IN LONG-LIFE ASSETS WILL CONTINUE TO PROVIDE SUSTAINABLE AND PROFITABLE GROWTH."

I am privileged to report yet another successful year that saw us outperforming industry across all parameters while we continued to deliver more value to our customers and shareholders. In a matter of just few years we have significantly matured as an organisation; growing multi-fold in capacities and financials, spreading to newer geographies, adding more products and developing strong brand goodwill. With the kind of traction we are witnessing, improved industry scenario and capacity expansion programmes that we have planned out, we believe that our future is more sustainable than ever.

MACRO-ECONOMY

2016, manifested by several unpredictable outcomes, has been yet another challenging year for economies across the globe. While crude prices strengthened and nearly doubled from its lowest levels at the beginning of the year, the UK's referendum to exit European Union and Mr. Donald Trump's election as the

President of the USA added to investor anxiety. Despite various issues, the year ended on a positive note giving way to revitalizing manufacturing, improving trade and market scenario among various economies, and stabilizing interest rates. Driven by these factors, the global economy is expected to rebound strongly and grow by 3.5% in 2017.

Closer home, the scenario was much different. Indian economy continued to remain buoyant amidst global despair. Though the growth rate declined from 7.9% in 2015-16 to 7.1% in 2016-17, led by slowdown from demonetization, the country continued to be the fastest growing major economy. The fundamentals of the country amidst stable political climate, reducing repo rates, strengthening foreign exchange reserves, healthy inflation levels and likely implementation of Goods and Services Tax (GST) remain strong. India's GDP growth for the years 2017-18 and 2018-19 is projected at 7.2% and 7.7% respectively.

INDUSTRY OPTIMISM

Globally, the pigment industry is estimated to witness a robust compounded growth of 5.4% during 2016-2023 driven by stringent growths in the textiles and food & beverages industry. In India, the dyes and pigments is at an important inflection point. While domestic demand is showing positive trend with textiles industry projected to grow at a CAGR of 10% over the next five years, the vital development of reducing government support to the manufacturers and tighter pollution control norms in China have impacted their competitiveness, even leading to several shutdowns. China being the largest dyes and pigments manufacturer in the world, the trickle-down effect of this development is likely to favour Indian manufacturers who are more environmentally compliant and cost competitive. It is estimated that the production of dyes and pigments in India would grow at a CAGR of 11.4% during the five years leading to 2019. Export during the same period is likely to grow at an estimated CAGR of ~15%.

BUSINESS PERFORMANCE

During the year under review the performance of your Company has been outstanding with sales volumes rising 6% to 7,760 MT. Besides, with supply constraints in the market and rising crude prices, the average prices of dye intermediates during the year increased by nearly 55% enabling us to earn better margins. Total revenues increased by 38% from Rs. 18,770.61 lakhs in 2015-16 to Rs. 25,965.21 lakhs in 2016-17, while share of exports increased from 82% to 90%.

Profitability during the year grew even stronger as expansion of capacities undertaken in the past along with effective cost management initiatives facilitated in better overhead coverage. In absolute terms, the EBITDA and PAT increased 147% and 212% respectively to Rs. 7,948.40 lakhs and Rs. 5,191.88 lakhs respectively. In margin terms, the EBITDA and PAT margins increased 1,344 and 1,113 basis points respectively to 30.61% and 20%.

FOCUSED ON A SUSTAINABLE FUTURE

With massive growth opportunities lying ahead of us, we have embarked on several strategic capacity expansion and backward integration program expected to be materialized over next 15 months at an estimated investment of Rs. 175 cr. The expansion plan includes adding 2,280 TPA of CPC Green, 1,800 TPA CPC Blue, 1,200 TPA H-Acid and 10,000 TPA of precipitated silica capacity. This shall allow us to meet demand of existing as well as new customers.

We have also undertaken the strategic decision of entering the Specialty Chemical business by commencing with the manufacture of Precipitated Silica which is widely used in rubber and tyre industry. This shall diversify our business offerings while enabling us to earn better margins.

In our existing dye intermediate business, we have added H-Acid which shall facilitate us to increase offerings to existing customer for further strengthening customer relation.

In the past five years we have also made investments amounting to Rs. 10 cr towards process upgradation and environment management that has enhanced our competitiveness in the industry. One such investment in the past year was towards acquiring Brine System which has enabled us to enhance control of process steps resulting in better pollution control and capacity utilisation by reducing load of ETP.

We have also filed for trademarking of our Company's (AKSHARCHEM) and product's (ASAFLOW) name to safeguard and promote our brand.

OUTLOOK

AksharChem with its world-class business standards and scale of operations is well positioned in the chemical industry which offers significant long-term growth. As the chemical industry in India is going through a phase of opportunity, a key challenge will be to upgrade technology of manufacturing process and environmental management.

Our initiative towards expansion and focus on adding more value-added product, the full effect of which will be reflected in 2019-20, shall enable us to strengthen competencies and enhance our long-term business sustainability.

Before signing off, I, on behalf of the Board, would like to thank all our stakeholders for their constant contribution and support. I am deeply grateful to our employees who, through their skills and relentless efforts, have enabled us to reach here.

Warm wishes



Paru M. Jaykrishna

Chairperson



STRENGTHS CONTRIBUTING TOWARDS A SUSTAINABLE FUTURE

Reputation

With over 27 years of existence, strong focus on quality of products and services, and reliable deliveries, we have become a brand of repute. This is reflected in our increasing market share in the domestic and international market. Besides, we serve leading downstream industries, which have been doing business with us for over 20 years.

Contemporary technologies

We have consistently invested in acquiring latest technology to enhance our quality, operational efficiency and environment compliance. This has enabled us to become one of the most competitive players in the industry.

Diversified operations

Our well-diversified product portfolio and geographic spread enables us to cater to the requirements of more customers.

Marketing

Our extensive supply chain network, promotional activities and existing relations with leading chemical companies facilitate in efficient distribution of products in the international markets.

Scale

We are amongst the largest producers of dyes and pigments undertaking manufacturing of massive quantities under one single roof. This has facilitated in significantly reducing overhead costs.

Senior management expertise

With robust business expertise, extensive knowledge in the chemical field and strong networking, the senior management have successfully steered the Company to its current position.

Strategically located

Being situated in Gujarat's chemical belt, majority of our raw materials suppliers are in proximity. Besides the robust connectivity of our plants with railway line, national highway and sea-port facilitate significantly improves turnaround times.

Strong intellectual capital

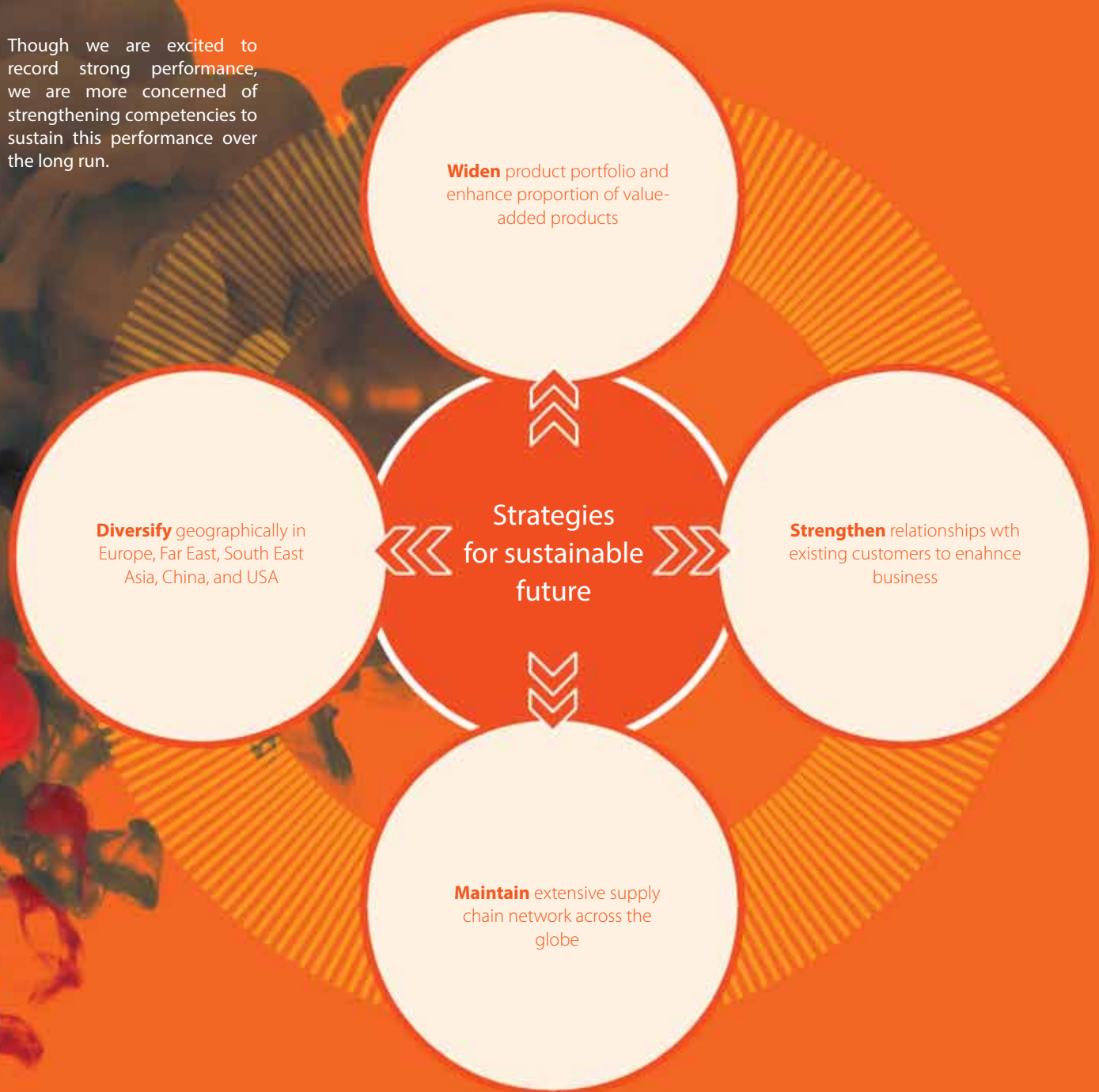
We have a robust team of skilled R&D experts and executives that enable us to fortify our leadership position in the industry.

Financial prudence

Our financial prudence has enabled us to attain strong balance sheet position with net debt-equity declining to 0.2 and cash profit of Rs. 56.61 cr for 2016-17

BUSINESS STRATEGY

Though we are excited to record strong performance, we are more concerned of strengthening competencies to sustain this performance over the long run.



Focus on reinforcing strengths

Better planning

Undertake robust production and resource planning and preventive control mechanism.

Strengthening balance sheet

Consistently reduce debt and effectively ploughing back of profits for capex.

Training

Provide regular training to technical and shop floor personnel.

Consistent quality and efficiency improvement

Invest in process automation technology and undertake process improvement measure.

Expanding customer base

Enhance overseas operations through new customer acquisition.

STRONG PERFORMANCE...

A RESULT OF UNWAVERING FOCUS ON EXCELLENCE

AT AKSHARCHEM, WE ARE ALWAYS FOCUSED ON ACHIEVING BUSINESS EXCELLENCE THROUGH ADOPTING A CULTURE OF CONTINUOUS GROWTH AND DEVELOPMENT. NOT ONLY HAS THIS ENHANCED OUR PROCESS EFFICIENCY AND QUALITY, IT HAS ALSO FACILITATED IN AUGMENTING SHAREHOLDER VALUE AND CUSTOMER SATISFACTION.

Various initiatives undertaken by us to ensure business excellence include:

QUALITY EXCELLENCE

We procure raw material only from approved vendors. Besides, our quality control team undertakes stringent quality checks at all stages, right from the procurement of raw material to finished goods stage.

We regularly provide employees skill development training along with maintaining standard operating procedures.

We have made significant investments in developing state-of-the-art manufacturing facility and acquiring advanced equipment.

Our team continuously works towards development of value-added products that offer better margins.

OPERATIONAL EXCELLENCE

We have adopted a culture of continuous improvement within the organisation whereby performance of each employees is measured.

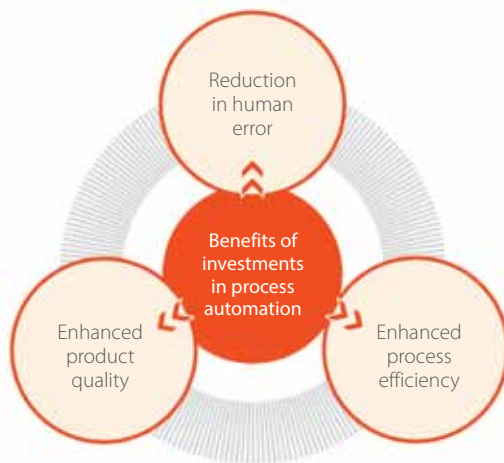
We undertake various shop floor initiatives on a regular basis to enhance efficiency.

We have undertaken various expansion plans that shall not only scale our operations and reduce per unit operational

costs, but also enable us to integrate backwards and ensure raw material reliability and quality.

We have added variable frequency drive at various high conservation feeder resulting in reduced power requirement.

Modernised the purity system of CPC Green for better operational control and product handling. We have also replaced mechanic blender with pneumatic blender for better quality product.



Key initiatives for ensuring business excellence

- **Zero** tolerance policy in quality and delivery schedule
- **Continuous** customer feedback

The result of our focus on superior technology driven products

- **Best** quality reliable products with a robust track record of zero product return and bad debts throughout existence
- **Long** term quantity contract with leading global customers
- **High** plant utilisation level at 80%
- **Minimal** plant downtime