



AKSHARCHEM (INDIA) LIMITED
Annual Report 2018-19



MOVING AHEAD...
WITH CONFIDENCE, CAPACITY AND CONVICTION



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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.

**MOVING AHEAD IS GREAT. MOVING
AHEAD SUSTAINABLY IS GRATIFYING.
IT NECESSITATES STEADFAST
COMMITMENT AND SOLID
FOUNDATION. WILLINGNESS TO PUSH
BOUNDARIES AND TAKE ON NEW
CHALLENGES. UNCOMPROMISING
VALUES OF THE PAST AND A CLEAR
VISION OF THE FUTURE.**

This is how we have been progressing at AksharChem since inception.

From spreading across multiple geographies to becoming a preferred supplier for leading global companies. From consistently expanding our production capacity to widening our portfolio. From setting new benchmarks of production excellence to adopting world-class sustainability practices.

Powered by our vision to become a leading global player, we have embarked on a strategic growth charter that is devised to benefit from strong foundations and culture of excellence that we have already built. We are continually reinventing ourselves and reinforcing our core capabilities to become more energetic and invigorated entity. We are moving ahead with confidence and capacity with a strong conviction of growing consistently and delivering value to all our stakeholders.

AKSHARCHEM: AN ORGANISATION ON THE MOVE

Promoted by Mrs. Paru M. Jaykrishna in 1989, AksharChem is a leading dye and pigment manufacturer. The Company is headquartered in the chemical belt of Mehsana (Gujarat) and is a globally recognised brand. Our products are sold across India, Europe, Far East, South East Asia, China, and USA. Our shares are listed in BSE Limited (BSE), National Stock Exchange of India Limited (NSE) and Ahmedabad Stock Exchange Limited (ASE).

INSPIRING US IN MOVING AHEAD IS...

OUR VISION

To emerge as global leader in supply of specialty Chemicals by creating value for our esteemed customers by supplying quality products.

OUR MISSION

We are committed to use 'Green' technologies in all our manufacturing operations. We also endeavor that we will protect environment by using cleaner technologies and we are responsible for safety and health protection of our work force.



Product portfolio

Product	End user industry
Vinyl Sulphone	Textile industry
CPC Green	*Printing ink *Paint *Rubber *Plastics *Leather
H-acid	Textile industry

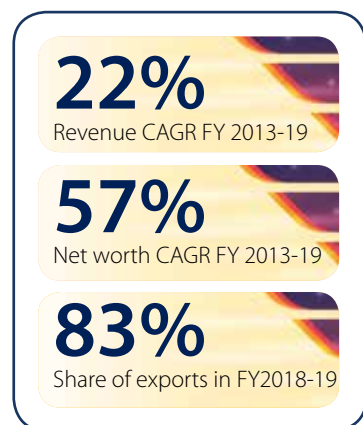
Our reputation



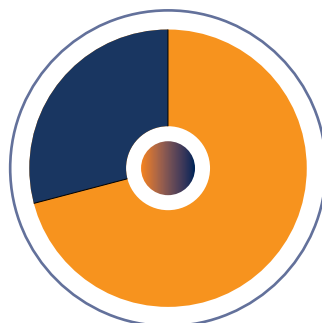
Our scale



PERFORMANCE HIGHLIGHTS FOR THE YEAR



FY2018-19: Product-wise revenue break-up



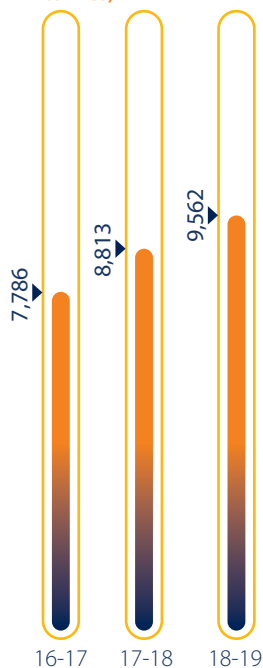
71%

Dyes & Intermediates

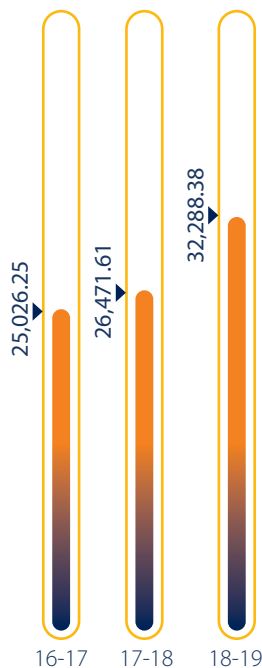
29%

Pigment

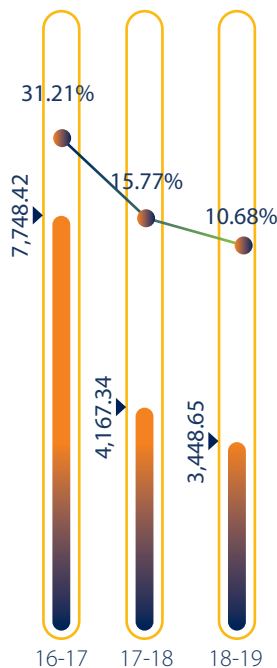
Dyes and pigments volume (metric tonnes)



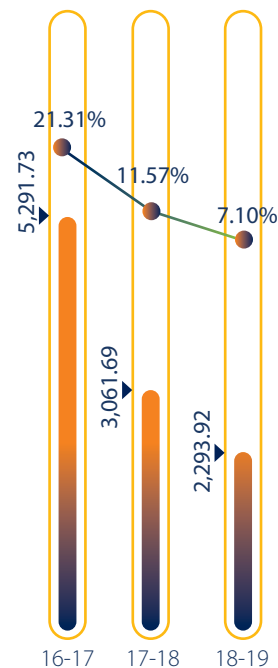
Revenue from operations (₹ lakhs)



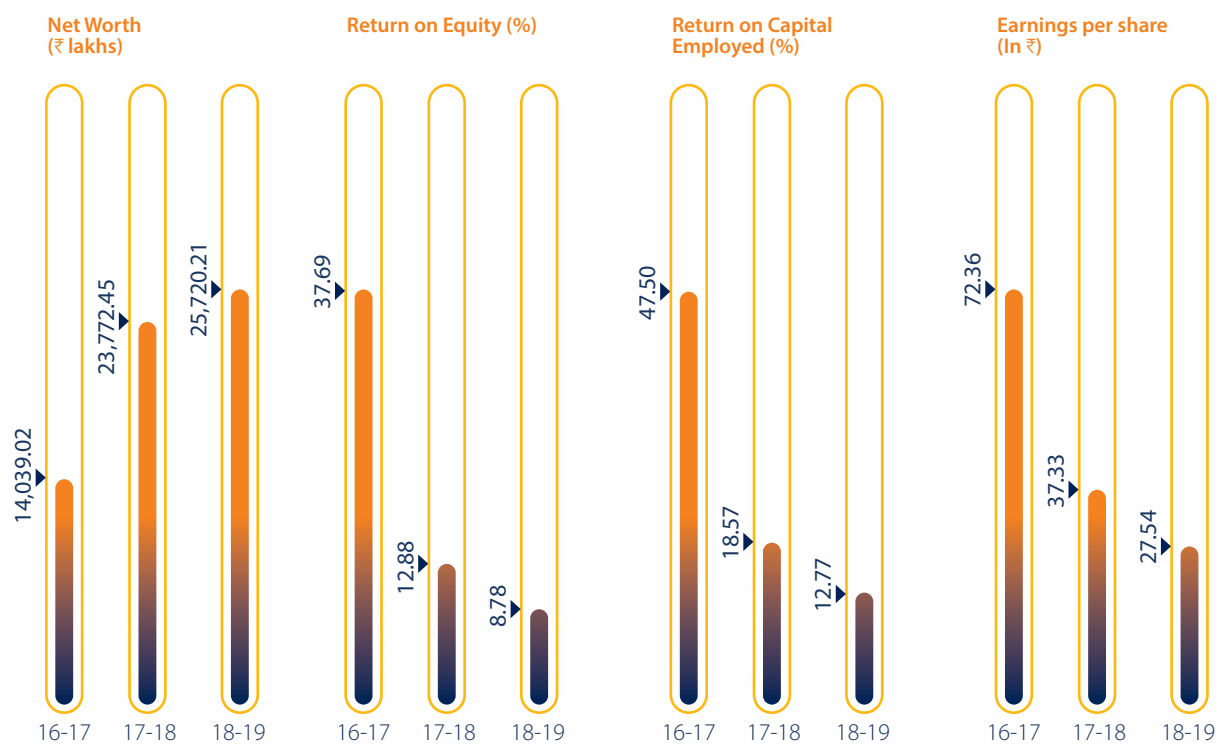
EBITDA (₹ lakhs) & EBITDA margin (%)



PAT (₹ lakhs) & PAT margin (%)



- Our volumes expanded by 9% indicating that the demand for our product continues to be intact and that our business is sustainable
- Our revenue from operations expanded 22% supported by volume growth and higher realisation due to China situation
- Profitability was impacted by higher crude prices, currency fluctuation and increase in expenditure due to new CPC Green and H-acid capacity and initial stabilisation issues in H-acid manufacturing.



A MESSAGE FROM

CHAIRPERSON

"Character is what you are in the dark. Though these lines were said by Dwight Moody several years ago, they are very much applicable to us. Amidst multiple challenges that we faced in the past two years, we continued to remain firm. Our team displayed grit and determination to counter challenges and move ahead. This is our character."

Dear Shareholders,

FY 2018-19 was a challenging year for us both due to external context and some internal challenges. Externally high volatility in the crude prices, currency fluctuations and disruption in supply of key raw materials led to surge in costs and impacted our margins. Internally, we faced teething problems in stabilizing the new H-Acid line due to quality and yield issues, leading to one-off losses.

But as always we remained steadfast. We responded with courage and determination to counter the challenges. While the external factors were beyond our control, we put in more efforts to retain our existing clients and focused on expanding geographic footprint and adding new clients. This led to win seven new accounts. Though these new relations have marginal share, we expect to grow business in the future. The impact of our efforts is evident in the 9% surge in our sales volume to 9,562 metric tonnes. This also exemplifies that the demand of our products continues to remain intact. Our revenue growth at 22% to ₹322.9 Crore was higher as China environmental crackdown factor continues to be persist leading to lower supply in the market and hence higher realization. The prices are expected to stabilize in the coming fiscal. Coming to profitability, our EBITDA for the year ended declined 17% to ₹34.5 Crore and PAT declined 26% to ₹22.6 Crores due to the reasons stated above. For price increase, we usually take a lag of one to two quarters to pass it on and hence the margins got impacted.



We won seven new accounts during the year while retaining all the existing ones

Stabilisation of H-Acid plant and its quality acceptance by customers has adds a new revenue stream

Our performance indicates something fundamental that we possess – strong resolve and persistence. And this are not just words for us. They are reflected in our character across all decisions that we take.

Resolving and moving ahead

Coming to internal factors relating to stabilizing the 1,200 MTPA H-Acid plant. We worked rigorously at this plant and after putting in months of efforts, we have been able to resolve all issues. The production line is now stabilized, and we have achieved the desired customer quality. H-Acid is new product that we have added in the dye intermediates basket to target export market and serve existing customers. I am happy to announce that our samples have been accepted by all our customers and we even received orders from them.

We continued to move at steady pace for all other expansion programs. Our 480 MTPA CPC Green has been completed. With this, our green capacity has now expanded from 1,920 MTPA to 2,400 MTPA. This line will soon be put to utilization and will start contributing from next fiscal onwards. It will enable us to meet the growing demand of our clients and ensure uninterrupted supply. In our specialty chemicals business,

we are progressing well with the 10,000 MTPA greenfield Precipitated Silica project. We expect it to commercialise by FY 2020. It will add another revenue stream for us.

Conviction of growing demand

After the environment crackdown episode in China, globally the chemical industry is witnessing a scenario where demand for quality and environmentally compliant dye and intermediates is surpassing supply. We expect this scenario to persist for sometime. It will contribute to growing demand for products from India which is the most competitive markets in the world owing its low-cost advantage and quality. This is expected to drive export market of domestic dyes industry. The industry will also benefit from rising domestic consumption on the backs of growth in textile industry.

Confidence in our capabilities

Moving ahead, I am sure we will be able to make good of the demand with our best quality reliable products and over two decades strong relationships

with the world's largest dyestuff houses. While on one hand we now have more capacities, on the other we continue to retain competitive advantage in the industry owing to our quality, cost and environmental compliances. We have made sustained investments in environmental technologies over the years including the ₹16 Crores committed in FY 2018-19. We are now probably amongst the world's most environment-friendly chemical companies. And this gives us an edge in a challenging global market marked by tightening environmental regulations.

Message to the shareholders

Your Company is convinced of improving market scenario and confident of capitalising on it. We have taken all right steps to be future ready and it is now a matter of perfect execution. I thank all our stakeholders for being with us through this exciting journey. I also thank our people for bringing in passion to work and contributing to the growth of the Company.

Warm wishes

Paru M. Jaykrishna
Chairperson.



MOVING FROM STRENGTH TO STRENGTH

Key business drivers



Superior product quality

- Products meeting various global quality and environmental compliances
- Zero return track record



Strong customer relationships

- Long-term contract with leading global customers
- Strong relations with customers



Technology leadership

- Technology sourced for product innovation
- Modern plant, well-equipped laboratory
- Advanced automation systems



Environment compliance

- Invested in latest environment management technologies which is key for a chemical company



Business scalability

- Operations spread across 20+ countries
- Growing global distribution network opens business opportunities and reduces geographic concentration.

Competitive advantages



Senior management experience

- Senior management having extensive business knowledge, strong networking and expertise in the leadership and business strategy
- Senior management drive business model sustainability



Economies of scale

- One of the largest single location manufacturing capacities facilitating effective overhead distribution
- One of lowest cost producers



Strategically located

- Plants in Gujarat's chemical belt where majority of raw material suppliers are based facilitating faster turnaround and greater business development opportunity
- Robust multimodal connectivity



Financially strong

- Strong net worth of ₹25,720.21 lakhs and 0.04 net debt:equity
- Track record of zero bad debt
- Highest credit rating from CARE