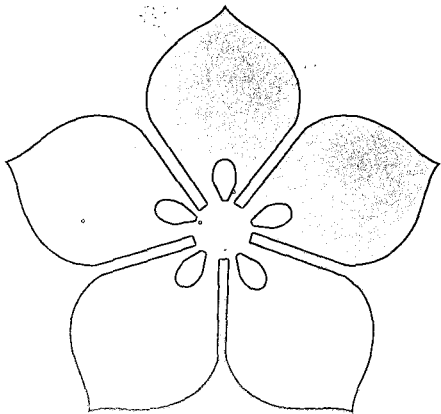
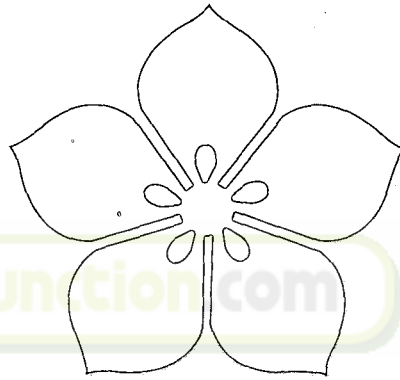


Annual Report  
2006-2007



Asahi Songwon Colors Limited  
Adding Color to Life

## **Message from the Chairperson & Managing Director**


Dear Shareholders,

From a small beginning in Ahmedabad, ASAHI's performance has been noteworthy. With a strong focus on Product Quality and lasting relationships with all stakeholders, Asahi has adopted to the changing business and technological needs.

At Asahi, we place high emphasis on the Environment, Health & Safety, and of course Quality. I believe technology is the key to success in the future and the company will always have its focus on this. Global best practices and responsible care initiatives have ensured safe operations at our both plants.

The India growth story continues, empowered by the manufacturing and services sectors. However inflation and rising raw material costs have been a cause of concern.

In spite of the severe competition and the appreciating rupee, the company has had a great year, with 214% growth in turnover and 279% growth in Profits. I take this opportunity in thanking all our customers, suppliers, employees and shareholders in helping us create a company which is one of the leading players in the Pigments Business.



**Paru Jaykrishna**  
Chairperson




## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mrs. Paru M. Jaykrishna	<i>Chairperson &amp; Managing Director</i>
Mr. H. K. Khan	
Mr. R. K. Sukhdevsinhji	
Mr. Arvind Goenka	
Prof. Pradeep Jha	
Mr. Gokul M. Jaykrishna	<i>Executive Director &amp; CFO</i>
Mr. Munjal M. Jaykrishna	<i>Executive Director</i>

### Company Secretary

Deepak Kumar Dash

### Auditors

Trushit Chokshi & Associates

### Bankers:

State Bank of India

### REGISTERED OFFICE & WORKS

167-168, Village Indrad,  
Kadi Kalol Road,  
Dist. Mehsana,  
Gujarat - 382 727 (India)

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<b>NOTICE</b>
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Notice is hereby given that the 17th Annual General Meeting of the Members of **ASAHI SONGWON COLORS LIMITED** will be held on 20th August, 2007 at the Registered Office situated at 167-168, Village Indrad, Kadi - Kalol Road, Dist: Mehsana, Gujarat, at 11.30 A.M. to transact the following business.

**Ordinary Business**

- 1) To receive, consider, approve and adopt the Audited Profit & Loss Account for the year ended 31st March, 2007 and the Audited Balance Sheet as at that date and the Director's and Auditor's report thereon.
- 2) To appoint a Director in place of Mr. R. K. Sukhdevsinhji who retires by rotation and is eligible for re-appointment.
- 3) To appoint a Director in place of Prof. Pradeep Jha who retires by rotation and is eligible for re-appointment.
- 4) To declare Dividend at 10%
- 5) To appoint Trushit Chokshi & Associates as auditors of the Company and fix their remuneration. Retiring auditors are eligible for re-appointment.

**Special Business by Ordinary Resolution:**

- 6) To consider and if thought fit, to pass, with or without modification, the following resolution as a Ordinary Resolution:

**"RESOLVED THAT** Mr. H. K. Khan, who was appointed as an Additional Director by the Board to hold office upto the date of this Annual General Meeting be and is hereby elected and appointed as Director of the Company, liable to retire by rotation."

**Special Business by Special Resolution:**

- 7) To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolutions:

**"RESOLVED THAT** the Articles of Association of the Company be and are hereby altered in the manner following:

- (i) In Article 2 under the Interpretation clause before the expression "Alter and Alteration" a new expression as follow shall be inserted:

"Affiliates"

"Affiliates" in relation to any Party shall mean any entity, which controls, is controlled by, or is under the common control of that Party. The term 'control' shall mean the beneficial ownership directly or indirectly of more than 50% of the voting securities of such entity or control of the majority of the composition of the board of directors or power to direct the management or policies of such entity by contract or otherwise. "

- (ii) In Article 2 under the Interpretation clause before the expression "Directors" a new expression as follow shall be inserted:

"DIC"

"DIC" means Dainippon Ink and Chemicals Inc., a company incorporated under the laws of Japan and having its principal place of business at 7-20, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-8233, Japan."

- (iii) In Article 2 under the Interpretation clause before the expression "Plural Number" following new expressions shall be inserted:

"Party" shall mean DIC, Promoters, or the Company referred to individually and "Parties" shall mean DIC, Promoters, and the Company referred to collectively.

"Person" shall include an individual, an association, a corporation, a partnership, a joint venture, a trust an unincorporated organisation, a joint stock company or other entity or organisation, including a government or political subdivision, or an agency or instrumentality thereof and/or any other legal entity.

- (iv) In Article 2 under the Interpretation clause before the expression "Proxy" a new expression as follow shall be inserted:

"Promoters" means (i) Mrs. Paru M. Jaykrishna, w/o Mr. Mrugesh Jaykrishna residing at 'Gokul', Camp Road, Shahibaug, Ahmedabad - 380 004 (ii) Gokul M. Jaykrishna s/o Mr. Mrugesh Jaykrishna residing at 'Gokul', Camp Road, Shahibaug, Ahmedabad - 380 004 and (iii) Munjal M Jaykrishna, s/o Mr. Mrugesh Jaykrishna residing at 'Gokul', Camp Road, Shahibaug, Ahmedabad - 380 004, referred to collectively, which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include its successors, and permitted assigns or their respective heirs, administrators and executors as the case may be.

- (v) In Article 2 under the Interpretation clause before the expression "These Presents" following new expressions shall be inserted:

"Subscription Price" shall mean an amount of Rs. 122/- for each Subscription Share.

"Subscription Shares" shall mean 8,65,200 Shares that the Company has issued and allotted to DIC on 7th May, 2007.

- (vi) In Article 2 under the Interpretation clause before the expression "Variation and Vary" following new expression shall be inserted:

"Toll Manufacturing Agreement" means the Toll Manufacturing Agreement dated April 17, 2007 executed between the Company and DIC.

- (vii) After Article 87, the following new Articles to be headed 'Rights of DIC' and numbered 87A to 87D shall be inserted as under:

87A: Information Rights: The Company shall promptly upon request furnish to DIC the following:

- Quarterly, semi-annual and audited annual financial statements and other information relating to the Company in accordance with Companies Act, 1956 and the listing agreement with the Bombay Stock Exchange Limited and the National Stock Exchange Ltd.;
- such other management information reports as may be reasonably requested by DIC which are in a form satisfactory to DIC and which is not inconsistent with any regulation or direction of any regulators; and
- copies of all filings made by the Company with the regulatory authorities relating to securities laws promptly after such documents were filed with the relevant authorities.

87B: Lock-in and control of the Company: During the period DIC holds any of Shares of the Company, the Promoters shall (a) Control the Company; (b) ensure that no other Person gains Control over the Company; (c) hold atleast 26% of existing the issued and paid up share capital of the Company and (d) control the day to day business and affairs of the Company and the majority of the composition of the Board of Directors of the Company.

"Control" shall mean possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of any entity, whether through the ownership of voting securities, by contract or otherwise.

87C: Put Option: If (i) the Company has not completed an initial public offering of its Shares on the Bombay Stock Exchange within a period of 12 months from April 17, 2007; that provides DIC the right to sell its Shares to the public, then within 15 days of the termination or expiry of the Toll Manufacturing Agreement, or (ii) prior to the completion of the IPO, the Company and/or the Promoters breach any of their obligations towards DIC, DIC shall have the right but not an obligation ("Put Option") to require the Company and/or the Promoters, by giving a written notice to purchase all or some of the Subscription Shares held by it and/or its Affiliates at the Subscription Price (adjusted for any stock splits or consolidation).

If DIC proposes to exercise the Put Option, it shall issue a notice to the Company and/or the Promoters, as the case may be ("Notice of Exercise"), within 30 days of receipt of the Notice of

Exercise, the Promoters and/or the Company, as the case may be, shall purchase all the Shares specified by DIC in the Notice of Exercise at the Subscription Price (as adjusted for any stock splits or consolidation).

87D: Right of First Refusal

(a) Negotiated Deal

If the shares of the Company are listed and if DIC desires to sell the Subscription Shares, or a part thereof by way of a negotiated deal, DIC shall first give a written notice to the Promoters, stating DIC's intention to sell the Subscription Shares, the number of the Subscription Shares proposed to be transferred, the price and the other terms and conditions at which DIC proposes to sell the Subscription Shares.

Upon receipt of the notice, the Promoters shall have the right to buy all the Subscription Shares offered by DIC, either through itself or its nominees or affiliates at the price and on the same terms and conditions as specified in the notice. Such a right shall be exercisable by a written notice from the Promoter to DIC, within 15 (fifteen) days from the date of receipt of the notice sent by DIC. In the event that the Promoters do not or fail to purchase the Subscription Shares specified in the notice for any reason whatsoever, then DIC shall have the right to sell the Subscription Shares to any Person, on terms not more favourable than those specified in the notice given pursuant to this Article.

(b) Sale on a stock exchange

If the shares of the Company are listed and in the event DIC desires to sell any of the Subscription Shares on any single day on the stock exchanges through the competing order matching mechanism where the shares of the Company are listed, DIC shall first give a notice to the Promoters, stating DIC's intention to sell all or a part of the Subscription Shares and the number of the Subscription Shares proposed to be sold.

Upon receipt of such notice, the Promoters shall have the right to buy all the Shares offered by DIC either through itself or its nominees or affiliates in the notice mentioned above, at the closing price of the previous day of the Bombay Stock Exchange. Such a right shall be exercisable by the Promoter within 24 (twenty-four) hours from the time of receipt of the notice sent by DIC. In the event that the Promoters do not purchase or fail to purchase the Subscription Shares specified in the notice within the said period of 24 (twenty-four) hours for any reason whatsoever, then DIC shall have the right to sell such Subscription Shares on the stock exchanges to any Person through the competing order matching mechanism, where the shares of the Company are listed.

(viii) After Article 245, the following new Articles to be headed 'Arbitration' and numbered 246 to 251 shall be inserted as under:

246. If any dispute arises between DIC on one hand and the Promoters and/or the Company on the other in connection with the validity, interpretation, implementation or alleged breach of any provision of these Articles, the Parties hereto shall endeavour to settle such dispute amicably. The attempt to bring about an amicable settlement is considered to have failed as soon as one of the Parties hereto, after reasonable attempts which attempt shall continue for not less than sixty (60) days, gives forty (40) days notice thereof to the other Party in writing.

247. In case of such failure, any Party to the dispute shall be entitled to serve a notice invoking this Article and marking a reference to a sole arbitrator or in case of disagreement as to the appointment of the sole arbitrator to three Arbitrators, DIC nominating one Arbitrator and the Promoters and the Company jointly appointing the second Arbitrator. The third Arbitrator shall be appointed by the two Arbitrators so appointed. The Arbitration proceedings shall be governed by the rules of Conciliation and Arbitration of the International Chamber of Commerce.

248. The place of the arbitration shall be Singapore.

249. The proceedings of arbitration shall be in the English language.

250. The Arbitrator's award shall be substantiated in writing. The panel of arbitration shall also decide on the costs of the arbitration proceedings.

251. The award shall be binding on the Parties subject to the applicable laws in force and the award shall be enforceable in any competent court of law."

By the Order of the Board of Directors

Place : Indrad, Mehsana

Date : 20.07.2007

**Gokul M. Jaykrishna**

*Executive Director*

#### NOTES FOR MEMBERS ATTENTION

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF 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. The relative explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of Special Business, if required, is annexed herewith.
3. The Register of Members and Share Transfer Books of the Company will remain close from 13th August, 2007 to 20th August, 2007 (both days inclusive)
4. The dividend, if declared, will be paid on or after 20th August, 2007 to the members so entitled, whose names appear in the register of members as on 20th August, 2007 being the date of Annual General Meeting of the Company. In respect of shares held in electronic form, the dividend will be paid to those beneficial owners whose name appears in the statement furnished by the depositories for the purpose.
5. (a) Members are requested to notify immediately any change of address:
  - i) to their Depository Participants (DPs) in respect of their electronic share accounts; and
  - ii) to the Company or to its Share Transfer Agents in respect of their physical share folios, if any.
 (b) In case the mailing address on this Annual Report is without the PINCODE, Members are requested to kindly inform their PINCODE immediately
6. All documents referred to in the accompanying notice are open for inspection at the Registered Office.
7. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
8. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the Meeting.
9. For the convenience of members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an Attendance Slip, which is annexed to the Proxy Form. Members are requested to append their signatures at the place provided on the Attendance Slip and hand it over at the entrance.
10. 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.
11. Members desirous of obtaining any information concerning accounts and operations of the Company are requested to address their questions in writing to the Company atleast 7 days before the date of the Meeting so that the information required may be made available at the Meeting.
12. Pursuant to the Clause No. 49 of the Listing Agreement, profile of the directors proposed for appointment / re-appointment being given in a statement containing details of the concerned directors is attached hereto.
13. An Explanatory Statement under section 173(2) of the Companies Act, 1956 is annexed hereto.

**ANNEXURE TO THE NOTICE**

**Explanatory statement in pursuant to the provisions of Section 173 of the Companies Act, 1956 in respect of Special Business**

**Item No. 6**

To broad base the Board of Directors and to comply with the requirement of Clause 49 of the listing agreement Mr. H. K. Khan, was appointed by the Board as an Additional Director in the category of non-executive Independent Director of the Company w.e.f. 28th November, 2006 to hold office till the date of the ensuing Annual General Meeting.

Mr. H.K. Khan, IAS (Retd.), 73 years, has been closely connected with Industrial Development both in Gujarat state and at the centre and held very senior position in both the State Government and the Central government. He was the Chairman and Director of several public sector as well as private sector companies. Because of his experience in Industrial development, especially in the Chemicals and Petro-Chemicals, he was appointed as Secretary to the Government of India in the Department of Chemicals and Petrochemicals. In 1988, he was appointed as Secretary, Petroleum in the Government of India.

**Important Posts Held**

- b) Chairman and Managing Director of Gujarat Industrial Investment Corporation,
- c) Additional Chief Secretary and Principal Secretary, Industries, Government of Gujarat
- d) Secretary, Chemicals and Petro-Chemicals, Government of India
- e) Secretary, Petroleum, Government of India.
- f) Chief Secretary, Government of Gujarat
- g) Adviser to Chief Minister, Gujarat

**Important Corporate Posts Held**

- a) Chairman, Gujarat State Fertilizer Company
- b) Chairman, Gujarat Narmada Fertilizer Company
- c) Chairman, Gujarat Alkalies and Chemicals Ltd.
- d) Chairman, Gujarat Power Corporation and Ahmedabad Electric Company
- e) Chairman, Gujarat Ambuja Cement
- f) Director, I. P. C. L

The Board recommends for the appointment of Mr. H. K. Khan and proposes to pass the resolution as set out in item No. 6 of the Notice as an Ordinary Resolution.

Except, Mr. H. K. Khan, none of the Directors of the company are interested or concerned in the resolution.

**Item No. 6**

Your Company has entered into "Shares Subscription Agreement" with Dainippon Inks and Chemicals Inc., Japan, (hereinafter referred as 'DIC') on 17.04.2007. In pursuant to the agreement the Company has allotted 8,65,200 equity share to DIC @ 122/- per equity shares on 7th May, 2007.

According to the provisions of the said agreement certain alteration in Articles of Association of the Company is required as set out in the resolution No. 7.

For the purpose your Company seeks special resolution from its shareholders.

- Mrs. Paru M. Jaykrishna, Chairperson and Managing Directors, Mr. Gokul M. Jaykrishna, Executive Director and Mr. Munjal M. Jaykrishna, Executive Director are interested as promoters of the Company. None of the other Directors of the company are interested or concerned in the resolution.

**STATEMENT REGARDING THE DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT IN THE ENSUING ANNUAL GENERAL MEETING**

Name of Director	Mr. H. K. Khan	Mr. R. K. Sukhdevsinhji	Prof. Pradeep Jha
Date of Birth	15-08-1933	06-08-1936	28-11-1945
Date of Appointment	28-11-2006	28-05-1996	26-08-1997
Expertise in specific functional areas	Retired IAS	Director	Professor
Qualification	B. A. (History)	B. A. (Economics)	M.Sc. (Maths)
No. of Equity Shares Held	Nil	Nil	Nil
List of outside Company Directorships Held	1. Jubilant Organosys Ltd. 2. Lafance Overseas Pvt. Ltd. 3. Sherwood Infrastructures (India) Pvt. Limited 4. Calcom Visions Ltd. 5. Today's Petrotech Ltd.	1. Jhagadia Copper Ltd. 2. Vadinar Power Company Ltd. 3. The Cricket Club of India 4. Essar Oil Vadinar Ltd.	1. AksharChem (India) Ltd.
Chairman/Member of the Committees of the Board of Directors of the Company	1. Audit committee - Member 2. Shareholders / Investors Committee - Member	1. Audit committee - Chairman	1. Audit committee - Member 2. Shareholders / Investors Committee - Member
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	1. Jubilant Organosys Ltd. 2. Jubilant Organosys Ltd		1. AksharChem (India) Ltd. 2. AksharChem (India) Ltd.

Note: Pursuant to Clause 49 of the Listing Agreement, only two committees viz. Audit Committee and Shareholders' Grievance Committee have been considered.

## MANAGEMENT DISCUSSION & ANALYSIS

### Report Review:

The economy of the country is passing through a very good phase showing GDP growth of 9.2% in 2006-07 as compared to 9% last year on strong industrial growth. Manufacturing sector has shown a 12% growth.

The performance of the chemical and pigments industry was in line with the manufacturing sector and it registered a growth of 9% during the year. The demand of chemicals and pigments is derived from the growth in end user industry. Inks, paints, plastics, textiles and other industries catered to by your company contributed to the growth. Also the Indian Industry is seeing a lot of investments which augurs well for the demand of Pigments.

Riding along with above momentum, your Company has registered excellent growth in terms of revenue as well as in profit.

### Financial Performance:

Turnover of your Company has shown growth of 213% from Rs. 24.40 Crores in FY 2005-06 to Rs. 76.49 Crores in FY 2006-07. Profit before Depreciation and Tax for the financial year 2006-07 cross to Rs. 14.11 Crores compared to Rs. 4.87 Crores in the financial year 2005-06 showing a growth of 190%. Net Profit rose by 279% at Rs. 1004.38 lacs. This outstanding performance has been the result of higher capacity utilization particularly CPC Blue Crude plant and overall improvement in efficiency.

### Industry Outlook:

The outlook of pigment industries appear to be positive, the reason thereof is cost effectiveness of the Indian Pigment industry in the World market as well as increase in demand coupled with shifting of capacity of Pigments from developed World to India and China, particularly India in the last year.

### Business Outlook:

Your Company's marketing strength, technological competitiveness due to the availability of the best technology for its partner and increasing world demand for pigments, is likely to provide ample opportunity for growth. To leverage these opportunities, your Company is augmenting capacity of its CPC Blue Crude plant at Padra (Vadodara) and also going for forward integration. Your Company is in the process of implementing Pigment Beta Blue plant with annual capacity of 1200 MT at Padra (Vadodara). The CPC Blue Crude expanded capacity is expected to be commissioned by the end of December 2007 and Pigment Beta Blue capacity in January 2008. The total investment for the above project would be to the tune of Rs. 43.55 Crores. To cater power requirement of existing plant as well as expanded capacity and proposed Pigment Beta Blue plant at Padra (Vadodara) location, your Company is also planning to set up a captive power plant of 2 MW with capital outlay of Rs. 8.45 Crores. The total cost of all three projects as mentioned above is estimated to the tune of Rs. 52.00 Crores which is to be financed as under: Term Loan from State Bank of India Rs. 8.00 Crores, Proceeds from pre-IPO placement Rs. 10.50 Crores and net Proceeds from IPO Rs. 33.50 Crores.

### Financial Review and Analysis:

	(Rs. In Lacs)		
	FY 2007	FY 2006	% Change
Net Turnover	7649.42	2439.60	213.55
Other Income	17.88	5.07	252.66
Total Expenditure	6256.05	1957.58	219.58
Opening Profit (PBITD)	<b>1411.25</b>	<b>487.08</b>	<b>189.73</b>
Interest	183.86	103.57	77.51
Depreciation	118.88	78.09	52.23
Exceptional Items	5.36	7.12	-24.74
Profit Before Tax	<b>1103.15</b>	<b>298.29</b>	<b>269.82</b>
Total Tax Expenses	98.76	33.30	196.56
Net profit after Total Tax	<b>1004.38</b>	<b>264.99</b>	<b>279.03</b>