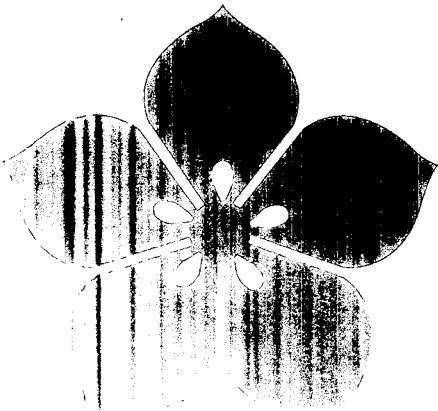
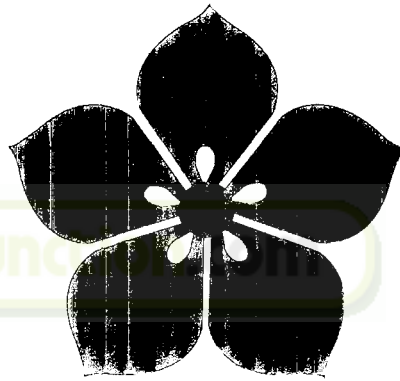


Annual Report
2007-2008



Asahi Songwon Colors Limited
Adding Color to Life

Message from the Chairperson & Managing Director

Dear Shareholders,

It has been a challenging year for us as has been for almost all manufacturing businesses due to the high volatility in all input prices and increasing inflation. I am glad to say that our team has done a good job of managing these issues and responded with good capacity utilization which has offset the impact.

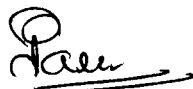
Also on the marketing side we have been able to get the price increases and thus enable your company to manage input costs better.

All in all this has been a very eventful and satisfying year at ASAHI. During the year our IPO was successfully completed and I would at this point like to thank all our shareholders for their overwhelming support. The proceeds of the IPO have been utilized and the new state-of-the-art capacity at our second unit in Baroda has been successfully commissioned in March. We expect to get the benefits of this expanded capacity in the next Financial Year. While last year was the year of high growth, this year we have consolidated to help us put in place a strong base for growth in the years ahead.

The ASAHI brand has a strong track record of trust and quality. This was endorsed again by our major customers in terms of continuity and commitment. We plan to build on this principle as we look forward to an exciting 2008-09.

As always your company remains committed to a greener and cleaner environment. In line with this both the units of your company are now having ISO 14001 Environment Certification.

Once again I take this opportunity to thank all our customers, suppliers, employees and shareholders for their most valuable support.



Paru Jaykrishna
Chairperson



AsahiSongwon

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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)

Works: 1. Pigment Green Division

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

Works: 2. Pigment Blue Division

429-432 Village Dudhwada,
ECP Channel Road,
Taluka - Padra,
District - Vadodara, (Gujarat) India

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NOTICE

Notice is hereby given that the 18th Annual General Meeting of the Members of **ASAHI SONGWON COLORS LIMITED** will be held on 30th September, 2008 at the Registered Office situated at 167-168, Village Indrad, Kadi - Kalol Road, Dist: Mehsana, Gujarat, at 10.30 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, 2008 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. Arvind Goenka who retires by rotation and is eligible for re-appointment.
- 3) To appoint a Director in place of Mr. H. K. Khan who retires by rotation and is eligible for re-appointment.
- 4) To declare Dividend at 12%
- 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. Gaurang N. Shah, who was appointed as 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."

By the Order of the Board of Directors

Place: Indrad, Mehsana

Date : 26.08.2008

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 23rd September, 2008 to 30th September, 2008 (both days inclusive)
4. The dividend, if declared, will be paid on or after 30th September, 2008 to the members so entitled, whose names appear in the register of members as on 30th September, 2008 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 extent 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.

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. Gaurang N. Shah, was appointed by the Board as an Additional Director in the category of non-executive Independent Director of the Company w.e.f. 1st Day of September, 2007 to hold office till the date of the ensuing Annual General Meeting.

Mr. Gaurang N. Shah is MSC and having work experience of 27 years.

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

Except, Mr. Gaurang N. Shah, none of the 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. Arvind Goenka	Mr. H. K. Khan	Mr. Gaurang N. Shah
Date of Birth	05-06-1962	15-08-1933	18-02-1958
Date of Appointment	16-04-1996	28-11-2006	01-09-2007
Expertise in specific functional areas	Rich experience in jute, chemicals, textiles etc.	Retired IAS	27 years work experience in accounts, finance etc.
Qualification	Commerce Graduate	B. A. (History)	MSC
No. of Equity Shares Held	Nil	Nil	Nil
List of outside Company Directorships Held	1. Oriental Carbon & Chemicals Ltd. 2. Schrader Duncan Ltd.	1. Jubilant Organosys Ltd. 2. Lafance Overseas Pvt. Ltd. 3. Sherwood Infrastructures (India) Pvt. Limited 4. Calcom Visions Ltd. 5. Today's Petrotech Ltd.	Nil
Chairman/Member of the Committees of the Board of Directors of the Company	Nil	Nil	1. Shareholders / Investors Committee – Member 2. Audit Committee – Chairman.
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	Schrader Duncan Ltd	1. Jubilant Organosys Ltd. 2. Jubilant Organosys Ltd	Nil

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 which was passing through a very good phase and was showing GDP growth of 9.2% in 2006-07 has shown sign of slow down during the current fiscal year due to steep rise in inflation and crude price.

There had been significant rise in the raw material price due to steep rise in crude price. Price of copper had also shown rising trend.

Despite of above adversities, the company has been able to maintain the profitability by paasing on the additional cost impact to its customer due to its qualitative and marketing strength. However, results of expanded capacity as well as of forward integration will be reflected from the financial year 2008-09.

Looking into good trend in pigment market in the worldover, your company is also making continuous efforts for future growth based upon its competitive and financial strength.

Financial Performance:

Turnover of your Company has shown growth of 9.97% from Rs. 76.49 Crores in FY 2006-07 to Rs. 84.12 Crores in FY 2007-08. Profit before Depreciation and Tax for the financial year 2007-08 comes to Rs. 15.26 Crores compared to Rs. 14.11 Crores in the financial year 2006-07 showing a growth of 8.14%. Net Profit rose by 14.82% at Rs. 11.53 Crores

Industry Outlook:

The outlook of pigment industries appear to be positive, the reason thereof is cost effectiveness of the Indian Pigment industry, particularly of your company, 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 and increasing world demand for pigments, is likely to provide ample opportunity for growth. To leverage these opportunities, your Company has augmented capacity of its CPC Blue Crude plant at Padra (Vadodara) and also gone for forward integration by setting up manufacturing capacity to manufacture Beta Blue pigment with annual capacity of 1200 MT at Padra (Vadodara). The CPC Blue Crude expanded capacity and Pigment Beta Blue capacity have been commissioned in March, 2008.

Financial Review and Analysis:

	(Rs. In Lacs)		
	FY 2008	FY 2007	% Change
Net Turnover	8411.93	7649.42	9.97
Other Income	18.95	17.88	5.95
Total Expenditure	6904.73	6256.05	10.37
Opening Profit (PBIDT)	1526.15	1411.25	8.14
Interest	189.47	183.86	2.9
Depreciation	137.47	118.88	15.63
Exceptional Items	13.63	5.36	154.29
Profit Before Tax	1185.57	1103.15	7.47
Total Tax Expenses	32.32	98.76	-67.28
Net profit after Total Tax	1153.25	1004.38	14.82

Risks & Concerns:

Your Company is having well structured risk management mechanism under guidance of experienced Board of Directors.

The Board is responsible for providing guidance and reviews the risk while the Audit Committee has been entrusted with the responsibility of this management process and reviewing the implementation thereof.

The key risks which are affecting your company are illustrated below:

Economic Risk:

Threat and pressure on profit margin due to open market economy Worldwide, may affect your Company. To counter this, your Company has stepped up its focus towards forward integration as well as expansion of capacity to maintain high profitability. Your Company is also proposing to increase its R&D activities alongwith improving cost effectiveness and cost control measures to meet future challenges.

Competition Risk:

In the highly competitive market environment, the business of your Company may also be affected. To counter this risk your Company continues to focus on increasing its market share by leveraging its marketing strength, and monitoring customer satisfaction by adopting high quality standards and taking timely feed back from them. Towards increasing its market share the Company has already initiated expansion project.

Project Execution Risk:

Your Company has implemented the expansion project at Padra (Vadodara) by expanding capacity of CPC Blue Crude and setting up a Pigment Beta Blue Plant . Due to steep rise in the price of steel there had been some cost overrun.

Foreign Exchange Risk:

To counter the volatility in the foreign exchange rate, particularly US Dollar Vs Indian rupee, your Company is having proper exchange risk management policy and managing the risk by taking timely forward cover.

Commodity Price Risk:

The main raw materials for Copper Phthalocyanine Pigments, namely Phthalic Anhydride, Cuprus Chloride and Aluminium Chloride are exposed to the price fluctuation. Finished goods prices are also exposed to the risk of price fluctuation. However, your Company has in the past managed these cycles efficiently and is confident of doing so in the future by adopting a proper strategy of raw material purchase and long term marketing arrangements for its finished goods to mitigate this risk.

Internal Control System:

Your Company has suitable and proper internal control system according to the nature of its business and its size with regard to efficient operations, procurement of raw materials, financial reporting and compliance with applicable laws etc. All operating parameters are monitored and controlled. Regular internal audits are conducted professionally, checks are there to ensure the internal control and its effectiveness. The Audit Committee of the Board of Directors reviewing the effectiveness of internal control system and suggestions of the Audit Committee are implemented for strengthening the internal control system of the Company from time to time.

Conclusion:

To conclude, your Company has recorded satisfactory performance, on the back of increased capacity utilization and proper assets utilization. To maintain the phase of growth going forward, your Company has made signification investment in its business with large investment in capacity expansion as well as forward integration. Therefore, we look ahead of a year of growth on the back of expanded capacity and forward integration with advanced technology.

CAUTIONARY STATEMENT

Statements in this "Management Discussion and Analysis" describing the Company's Objectives, projections, estimates and expectations may constitute "Forward Looking Statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied, because of various factors like Government Policy, competition, exchange rate fluctuations etc.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure to present 18th Annual Report and Audited Accounts for the financial year ended 31st March, 2008.

Financial results

The Summary of operating results for the year and appropriation of division profits is given below:

	(Rs. In Lacs)	
	2007-08	2006-07
Gross Turnover	8411.93	7649.42
Operating Profit (PBDIT)	1526.15	1411.25
Less: Depreciation	137.47	118.88
Less: Interest	189.47	183.86
Profit Before Tax & Exceptional Items	1199.20	1108.51
Less Exceptional Items	13.63	5.36
Less: Tax Expenses	32.32	98.77
Profit After Tax	1153.25	1004.38
Add: Balance brought forward from last year	564.91	200.63
Surplus available for Appropriation	6132.40	1205.01
Appropriation:		
Transfer to General Reserve	500.00	500.00
Proposed Equity Dividend	147.26	122.72
Tax on Distributed Profits	25.03	17.38
Balance Carried Forward	1045.87	564.91

Operation

Your company has posted an good performance for the year under review. Gross Turnover at Rs. **8411.93** lacs registered a 9.97% increase over the corresponding year. Net Profit rose by 14.82% at Rs. 1153.25 lacs.

Your Directors are pleased to inform that expanded capacity of CPC Blue Crude and new facility to manufacture Beta Blue pigment has been successfully commissioned during the month of March, 2008. Due to steep rise in the steel price and also of the key components there had been some cost over run. The proposed conventional thermal power generating technology based 2 MW Captive Power Plant has not been found to be viable due to increased fuel price. The fund for the time being is partially deployed to meet the requirement of cost overrun and working capital and also invested in liquid debt fund.

Dividend:

Your Directors recommend 12% dividend for the current period under review.

Capital and Borrowings

During the financial year 2007-08, the Company has raised Rs. 1055.54 Lac through preferential issue of 865200 equity shares of Rs. 10 each at Rs. 122 per share to Dainippon Inks & Chemicals Inc., Japan on May 7, 2007. The Company also raised Rs. 3350 lacs by issuing 37,22,222 equity shares of Rs. 10 each at Rs. 90 per share from initial public issue in the month of May, 2007. The allotment was made on 26.05.2007. The Company had good response

to its IPO which was over subscribed . Thereby paid up share capital of the Company raised to Rs. 1227.22 Lacs.

The Term Loan of Rs.800 Lacs sanctioned by State Bank of India during the previous financial year has been disbursed and utilized towards the project cost.

Safety and Ecology:

Your Company continues to exercise persistent and meticulous efforts towards greener earth and environment conservation. The Company preserves in its efforts to teach safe and environmentally accountable behavior in every employee, as well as its vendors. Company is committed towards safety , not only of its own men and plant, but also of the society at large.

Safety records showed further improvements and Zero accident target is achieved. This was made possible by strict adherence to laid down procedures and following of international guidelines.

Solid waste generated at the Works, after treatment of its liquid effluent is shifted to a Gujarat Pollution Control Board (GPCB) approved site.

The Company continues to demonstrate its commitment to a clean and safe environment. The State of the art effluent treatment plant continues to run satisfactorily, so that the treated wastewater discharged is well within the stipulated norms set by GPCB.

Your Company has ISO 14001:2004 certification of its both Units.

Engineering:

Equipment downtime due to breakdowns has considerably reduced due to strict adherence of preventive maintenance schedules, which in turn increased operational efficiency and reduced costs. This results into 100% capacity utilization of the CPC Bule Crude plant throughout the period under review except technical shutdown of the plant from 20th February to 25th March 2008 for the sake of commissioning of the expanded capacity.

Corporate Governance:

Your Company adhered to the standards as laid down under clause 49 of the Listing Agreement. A certificate from the Statutory Auditors of the Company on Corporate Governance is annexed to and forms part of the Directors Report.

Personnel:

The particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particular of Employees) Rules, 1975, are given below:

Sr. No.	Name of the Employee	Designation	Gross Salary Paid
1.	Mrs. Paru M. Jaykrishna *	Chairperson & Managing Director	24,00,000
2.	Mr. Gokul M. Jaykrishna	Executive Director	12,00,000
3.	Mr. Munjal M. Jaykrishna	Executive Director	12,00,000

Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

Statement giving the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under the Companies (Disclosure of Particulars in the Board of Directors' Report) Rules, 1988 are annexed and form part of Directors' Report.

Fixed Deposits

The Company has not accepted any fixed deposits from the public during the period under review.