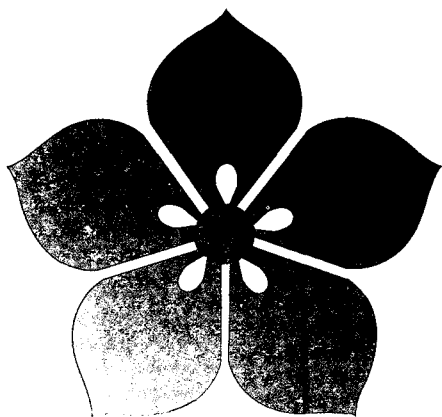


Annual Report
2008-2009



For, Asahi Songwon Colors Ltd.

Mujee Jay
Executive Director



Asahi Songwon Colors Limited
Adding Color to Life

Message from the Chairperson & Managing Director

Dear Shareholders,

2008-09 as we all know has been a year unlike any other in recent memory. The global economic downturn resulted in one of the worst economic crisis we have seen. Uncertainty and demand deflation have been widespread. In the tough economic situation your company has also had one of its toughest years so far. However considering the recessionary environment your company has been able to sustain old relationships and actually even develop new ones with important customers.



We at Asahi have worked for setting our selves for the better times which are sure to follow such a violent downturn. I am proud to say that the new capacities have now been put in place and the plants are already showing much better productivity. This combined with new plant capacity which is now on stream and the cost reduction efforts we had put in place should see your company in good stead going forward.

The Asahi brand which already has a strong track record is now even stronger with the latest state of the art Pigment Beta plant with the worlds' best technology in place. We look forward to a brighter 2009-2010.

As always your company remains committed to a greener and cleaner environment.

I take this opportunity to thank all our employees, suppliers, customers and our valued shareholders for their support.

A handwritten signature in black ink, appearing to read 'Paru', with a horizontal line underneath.

Paru Jaykrishna
Chairperson



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mrs. Paru M. Jaykrishna

Chairperson & Managing Director

Mr. H. K. Khan

Mr. R. K. Sukhdevsinhji

Mr. Arvind Goenka

Prof. Pradeep Jha

Mr. Gaurang N. Shah

Mr. Gokul M. Jaykrishna

Joint Managing Director

Mr. Munjal M. Jaykrishna

Executive Director

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 19th Annual General Meeting of the Members of **ASAHI SONGWON COLORS LIMITED** will be held on 30th September, 2009 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, 2009 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 pursuant to provisions of Section 198, 269, 309 read with Schedule XIII to the Companies Act, 1956, consent of members of the Company, be and is hereby given to the re-designation of Mr. Gokul M. Jaykrishna as Joint Managing Director of the Company w.e.f. 24/03/2009 for the remaining period of his appointment as whole time/ executive director on the existing terms and conditions.

Further Resolved That Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution".

By the Order of the Board of Directors

Place: Indrad, Mehsana
Date : 05.09.2009

GOKUL M. JAYKRISHNA
JOINT MANAGING 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 27th September, 2009 to 30th September, 2009 (both days inclusive)
4. The dividend, if declared, will be paid on or after 30th September, 2009 to the members so entitled, whose names appear in the register of members as on 30th September, 2009 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

Mr. Gokul M. Jaykrishna has been redesignated as Joint Managing Director from his present position as Executive/ whole time director of the Company w.e.f. 24th March, 2009. There is no change in terms and conditions of his appointment as applicable to him as whole time director of the company and approved by the members in their meeting held on 20th October, 2006.

Board recommends this change in the designation of Mr. Gokul M. Jaykrishna and proposes to pass the resolution as set out in item No. 6 of the Notice as an Ordinary Resolution.

Except, Mr. Gokul M. Jaykrishna, Mrs. Paru M. Jaykrishna and Mr. Munjal M. Jaykrishna, 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	Prof. Pradeep Jha	Mr. R. K. Sukhdevsinhji	Mr. Gokul M. Jaykrishna
Date of Birth	28-11-1945	06-08-1936	24-10-1968
Date of Appointment	26-08-1997	28-05-1996	08-03-1998 redesignation as JMD 24-03-2009
Expertise in specific functional areas	Professor	Director	Colour and Pigment Industry.
Qualification	M.Sc. (Maths)	B. A. (Economics)	B.S.C -Economics/
No. of Equity Shares Held	Nil	Nil	1167720
List of outside Company Directorships Held	1. AksharChem (India) Ltd.	1. Jhagadia Copper Ltd. 2. Vadinar Power Company Ltd 3. Essar Energy Services Ltd. 4. Essar Oil Vadinar Ltd 5. Essar LNG Ltd.	1. AksharChem (India) Ltd. 2. Echke Ltd.
Chairman/Member of the Committees of the Board of Directors of the Company	1. Audit committee - Member 1. Shareholders / Investors Committee - Member	1. Audit Committee - Member	NIL
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. AksharChem(India)Ltd. 2. AksharChem(India)Ltd.	NIL	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 year under review was the year of recession and had witnessed a high degree of volatility in Crude price as well as foreign exchange rates. The second half of the year was affected by worst ever recession the Company has witnessed since its inception. The recession which started from USA has taken the entire world into its grip by the 3rd quarter of the financial year under review. The industrial growth of our country which was 6.1% in the second quarter of the financial year has all of sudden fallen to 2.3% in the 3rd quarter of the financial year 2008 - 09 which was further depressed to 1.04% in the 4th quarter of the financial year. The chemical industry was also worst affected by this period of global recession.

Due to demand being crashed from the 3rd quarter of the financial year and sudden stiff fall in the crude price resulted into sharp fall in the price of CPC Blue Crude and Beta Blue as a result of that the profitability for the year under review remained depressed.

Due to such adverse economic scenario, in spite of growth in the turnover profitability remained lower due to above reasons.

Financial Performance:

Turnover of your Company has shown growth of 35.4% from Rs. 84.11 Crores in FY 2007-08 to Rs. 113.89 Crore in FY 2008-09. Operating Profit (PBDIT) for the financial year 2008-09 has been to Rs. 14.65 Crores compared to Rs. 15.26 Crores in the financial year 2007-08 showing a decline growth of 3.97%. Net Profit for the year under review was Rs. 2.456 Crores compared to Rs. 11.53 Crore in the previous financial year. The decline in profitability is due to global slow down and teething problem faced in stream lining the production and quality of the Beta Blue.

Industry Outlook:

Industrial Production growth in the 1st and 2nd quarter of the financial year has shown continuous growth. Most of the developed countries like Germany and France have shown the sign of coming out of the grip of the recession. Economic indicators in Japan has also improving. Net FII in flow, which was negative from 2nd quarter of FY 08-09 to 4th quarter 08-09, has turned to be positive in the 1st quarter of 09-10. Looking the above indicators and willingness of the Government to double the exports by 2014 it is expected to be good business environment in the coming period.

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 had augmented capacity of its CPC Blue Crude plant at Padra (Vadodara) and also going for forward integration has set 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 which were commissioned in March, 2008, are now producing quality products and production process has been streamlined. Looking in to increasing demand enquiries of the Beta Blue, your company is in process to double the Beta Blue manufacturing capacity from the existing 1200 TPA to 2400 TPA.

Financial Review and Analysis:

(Rs. In Lacs)

	FY 2009	FY 2008	% Change
Net Turnover	11389.43	8411.93	35.40
Other Income	17.34	18.95	(8.50)
Total Expenditure	9941.16	6904.73	43.98
Opening Profit (PBIDT)	1465.61	1526.15	(3.97)
Interest	437.408	189.47	130.86
Depreciation	382.28	137.47	178.08
Exceptional Items	99.004	13.63	626.37
Profit Before Tax	546.82	1185.57	(53.88)
Total Tax Expenses	301.147	32.32	831.77
Net profit after Total Tax	245.67	1153.25	(78.62)

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 an outstanding performance, on the back of increased capacity utilization and proper assets utilization. To maintain the phase of growth going forward, your Company is making signification investment in its business with large investment in capacity expansion as well as forward integration. Therefore, prospects of your Company continue to be positive.

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 19th Annual Report and Audited Accounts for the financial year ended 31st March, 2009.

Financial results

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

	(Rs. In Crores)	
	2008-09	2007-08
Gross Turnover	113.89	84.12
Operating Profit (PBDIT)	14.65	15.26
Less: Depreciation	3.82	1.37
Less: Interest	4.37	1.89
Profit Before Tax & Exceptional Items	6.46	11.99
Less Exceptional Items	0.99	0.14
Less: Tax Expenses	3.01	0.32
Profit After Tax	2.46	11.53
Add: Balance brought forward from last year	10.46	5.65
Surplus available for Appropriation	12.92	17.18
Appropriation:		
Transfer to General Reserve	0.00	5.00
Proposed Equity Dividend	1.23	1.47
Tax on Distributed Profits	0.21	0.25
Balance Carried Forward	11.48	10.46

Operation

During the year under review, your Company has posted turnover of Rs. 113.89 Crores compared to Rs. 84.12 Crores in the previous year, showing a growth of 35.4%.

Operating profit (PBDIT) for the year under review amounted to Rs.14.65 Crores compared to Rs. 15.26 Crores in the previous year. The Net Profit for the year under review amounted to Rs. 2.46 Crore compared to Rs. 11.53 crore for the previous year.

Expansion:

Your Directors are pleased to inform you that the expanded capacity of CPC Blue Crude as well as the new facility of Beta Blue towards forward integration which were commissioned in March - 2008 have since been streamlined. The Company has also been successful to stabilize the process of Beta Blue to get the World standard quality of Beta Blue.

Looking into increased demand of Beta Blue the company is in the process to double the Beta Blue manufacturing capacity from the existing 1200 TPA to 2400 TPA.

Dividend:

Your Directors recommend 10% dividend for the current period under review.

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. The process of Beta Blue has given initial teething problem to set up the quality standard and required number of reprocessing cycle in the initial months of production. However, quality of Beta blue has since been stabilized to world class quality standard.

Corporate Governance:

Your Company adhered to the standards as laid down under clause 49 of the Listing Agreement. A certificate from the Company Secretary 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

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.

Directors:

During the period under review, Mr. Gokul M. Jaykrishna has been redesignated as Joint Managing Director. The Company is seeking your approval for change in his designation.

Mr. R. K. Sukhdevsinhji and Prof. Pradeep Jha, retire from office by rotation and being eligible, offer themselves for re-appointment. A brief resume, expertise and details of other directorships of these Directors is attached along with the Notice of ensuing Annual General Meeting.