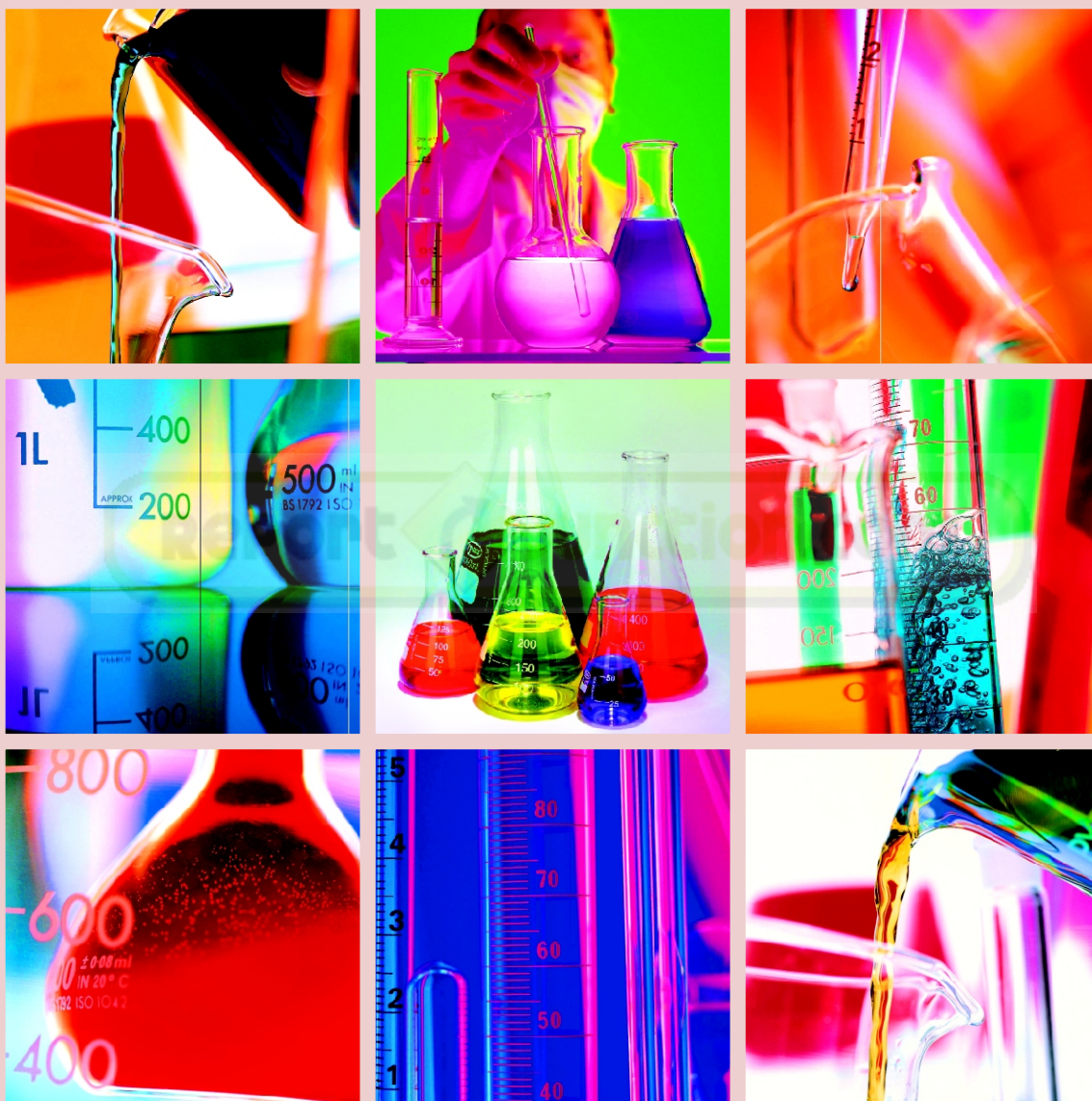


ANNUAL REPORT 2007-2008

We believe in excellence




Bodal Chemicals Ltd.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Suresh J. Patel
Chairman & Managing Director

Bhavin S. Patel
Whole Time Director

Ankit S. Patel
Executive Director

Ramesh P. Patel
Whole Time Director

Surendra N. Shah
Independent Director

Sunil K. Mehta
Independent Director

Hardik M. Shah
Independent Director

Bipin R. Patel
Independent Director

COMPANY SECRETARY

Chirag G. Shah

REGISTERED OFFICE

Plot No.123 & 124, Phase-I, G.I.D.C. Estate,
Vatva, Ahmedabad-382 445.

AUDITORS

Mayank Shah & Associates.,
Chartered Accountants,
706-708-A, Mahakant, Opp. V.S. Hospital,
Ellisbridge, Ahmedabad-380 009

BANKER

Union Bank of India

REGISTRAR & TRANSFER AGENTS

Pinnacle Shares Registry Pvt. Ltd.
Nr. Ashok Mills, Naroda Road,
Ahmedabad-380 025

AUDIT COMMITTEE

Surendra N. Shah *Chairman*

Hardik M. Shah *Member*

Bipin R. Patel *Member*

REMUNERATION COMMITTEE

Surendra N. Shah *Chairman*

Hardik M. Shah *Member*

Bipin R. Patel *Member*

SHAREHOLDER GRIEVANCES COMMITTEE

Surendra N. Shah *Chairman*

Hardik M. Shah *Member*

Bipin R. Patel *Member*

SHAREHOLDER GRIEVANCES COMMITTEE

Surendra N. Shah *Chairman*

Hardik M. Shah *Member*

Bipin R. Patel *Member*



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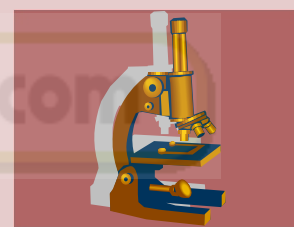
VISION

We have a vision...



...of becoming a global influence in world Dyes & Dyes Intermediates markets.

...of creating values for our Stakeholders.



...of commitment to Quality of Services & Quality of Products for our customers.

...of promoting Green Earth, by endeavoring to develop lesser and lesser polluting products.



MESSAGE FROM THE CHAIR



"The Wings Are Opening"

Dear Shareholders,

Yet again we meet to rejoice the year bygone and to take stock of the current year. There has happened a lot in the last year to rejoice and a lot is happening which makes us continue our buoyant outlook for the current year. Some highlights may give you an overall perspective :

- An all around growth year 2007-08 yet again.
- An equally promising start of the current year.
- Another Amalgamation concluded.
- The Rights Issue completed successfully
- H Acid Plant expanded. Capacity increased by 60% (1800 TPA).
- 3 Projects with Rs. 130 crore CAPEX under implementation and 2 of them will be commissioned in current year and 3rd in early next year. Total additional sales from these will be around Rs. 300 crores.(excluding captive consumption)
- On implementation of on going projects, the company will become the largest integrated chemical company manufacturing entire range from Basic Chemicals to Dyes.
- The quantum jump phase begins.

The Year Bygone :

The year 2007-08 has been a hat-trick year. Yet again, since amalgamation of Bodal Chemicals Pvt. Ltd. with the company, for third time it has surpassed previous year's performance on all fronts. Turnover and other Receipt at Rs. 416.04 crore registered a growth of 61.16% over the previous year. Earning Before Interest, Depreciation & Taxes (EBIDTA) touched Rs. 42.00 crore, a whopping 107.40% increase over the previous year. And finally the bottom line, Net Profit rose by 56.22% over previous year to Rs. 17.45 crore. Exports grew by 53.42% to Rs. 200.81 crore and constitute 49.59% of the total sales. The company, today exports to over 25 countries in almost all continents of the world.

The company once again paid an interim dividend of 20% and a final one at 5% has been proposed for your approval. Resultant 25% dividend for two consecutive years.

The Year anon :

The current year has started equally promisingly and barring unforeseen circumstances, seems to be going to start a run for and become 1st year of the 2nd hat trick. The financial results declared for the first quarter 2008-09 on 30-7-2008, shows that the growth has been continued. Turnover and other Receipt at Rs. 134.80 crore for the 1st quarter of 2008-09 gives a 67.33 % increase compare to same period last year. Operating Profit at Rs. 12.92 crore is 107.52 % higher than for the corresponding quarter last year and Net Profit at Rs. 3.72 crore is 50.36 % higher than for the corresponding quarter last year.

The Company expects to book a turnover for the entire 2008-09 in range of Rs. 550 to 600 crore and net profit in the range of Rs. 20 to 22 crore. This is in line with the company's declared goal of achieving Rs.1000 crore Turnover and Rs.100 crore Net Profit in next three years.

Events Completed In Current Year

The Hon'ble High Court of Gujarat has passed order for amalgamation of Milestone Organic Ltd. (Milestone) with our company, which has become effective from 1.1.2007 on it having been filed with the Register of Companies, Gujarat on 1st August, 2008 as provided in the Scheme.

Milestone is also manufacturing dyes and dyes intermediates. Its expansion was undertaken and is completed. Milestone plants are now running at full capacity. Milestone is expected to add Rs. 45 crore in Turnover of the Company in current year i.e. 2008-09.

The company also completed successfully, its Rights Issue which opened on 27th March, 2008 and closed on 25th April, 2008. It was oversubscribed to 1.19 times without any efforts by the management/company or promotional advertisement. I thank you all for your response and for reiterating your faith in the company.

The 52,01,352 Equity Shares out of the Rights Issue are already allotted and listed on BSE. The warrants, issued with the equity shares will be exchangeable into equity share during 1st February, 2009 to 28th February, 2009 in terms of the Rights Offer. The Warrants are also listed on BSE and are tradable. I hope that warrant holders will take advantage of exchange of warrants into equity shares.

The Wings are Opening

With the year 2007-08, the post amalgamation phase and platform making phase is successfully completed. The wings are opening now, for a quantum jump. I recall an analysis given with the last year's Directors' Report. The 3rd phase mentioned therein of a 3 year block has started with the current year and is expected to culminate in the corporate targets declared of crossing Rs. 1000 crore in sales and Rs. 100 crores in net profits. This gives a 10% profitability margin – a tough call but the team at Bodal has taken up the challenge, spurred by the pace and achievements so far.

The call taken by the team at Bodal is not wishful thinking. In pipeline, under physical impletation, are the following CAPEX which will put Bodal as **the only** fully integrated company in India, manufacturing entire range from Basic Chemicals to Dyes with the widest range in Dyes Intermediates.

- The H Acid Plant at Padra, Baroda was commissioned last year. The capacity thereof has been expanded from 3000 MTPA to 4800 MTPA at a cost of Rs. 13 Crores. The additional capacity has already commenced manufacturing from June, 2008. This added capacity will generate additional sale of Rs. 45 crore every year.
- A 12000 MTPA Dyes manufacturing plant is coming up at Bodal's Padra Complex adjacent to Dye Intermediates plant with a CAPEX of Rs. 45 crore. The Company has already started construction work on it. The Unit is expected to be commissioned in 4 months, say by December, 2008 This together with existing 6000 MTPA of Dyes manufacturing capacity will make Bodal, *the largest dyes manufacturing company in India*. This unit will add about Rs. 175 crore in Turnover every year.
- A 3600 MTPA Beta Nephthol plant at a CAPEX of Rs. 20 crores is also under implementation and is expected to be commissioned by December 2008. This is a backward integration and about 80% will for Bodal's captive use. The balance 20% will add about Rs. 40 crore in turnover every year. This will improve profitability by supplying lower cost inputs captively.
- A 400 MTPD Sulphuric Acid and its derivatives are also under implementation at a cost of Rs. 65 Crores. Another backward integration plant & effluent recycling plant. This is in line with our vision of supporting green earth and of producing with lesser pollution. The non captive production will add about Rs.85 crores in turnover annually. This will also improve profitability by supplying lower cost inputs captively.

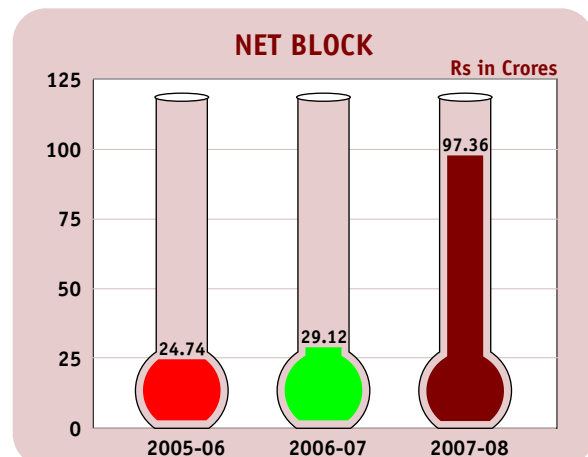
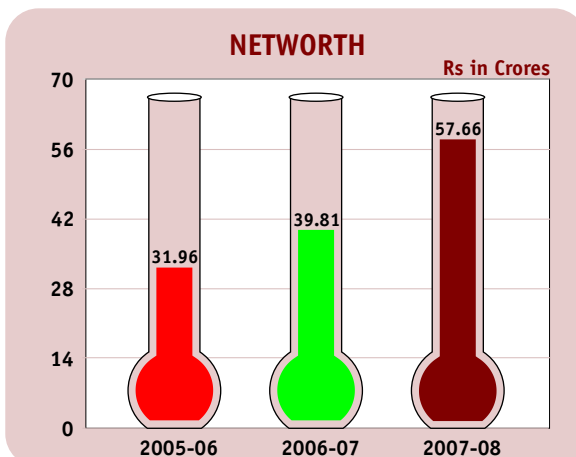
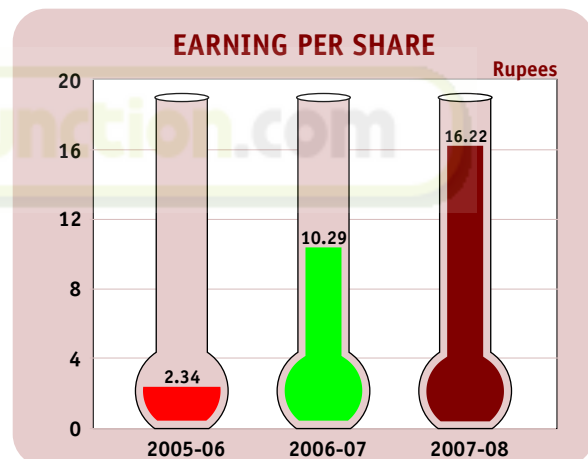
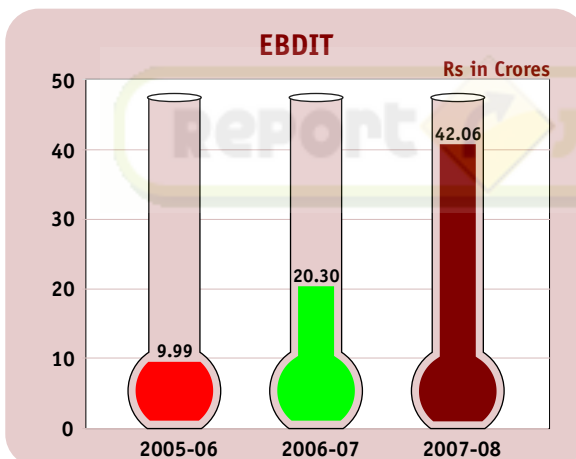
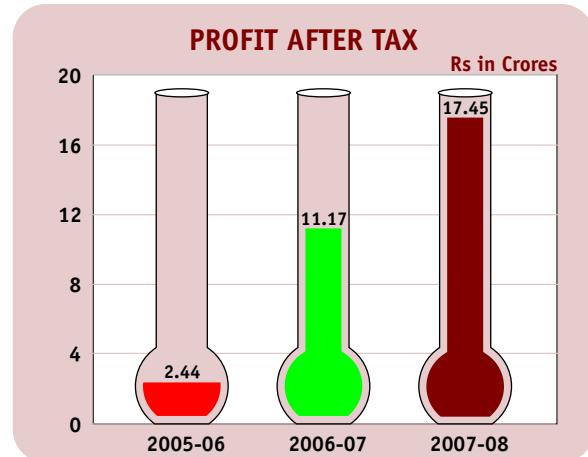
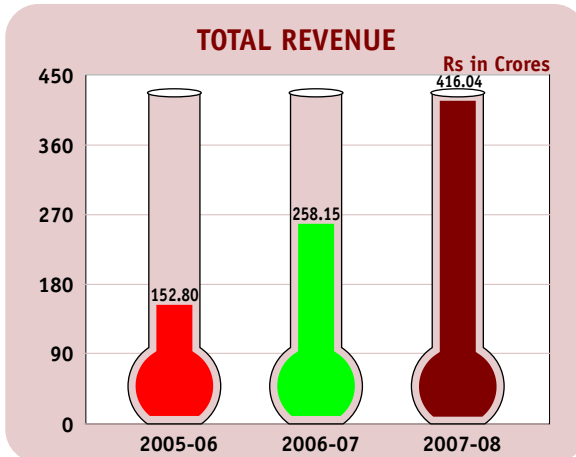
I thank you all for your continuous support and stay with the company.



Suresh Patel
Chairman

(This does not purport to be part of the proceedings at the meeting)

FINANCIAL HIGHLIGHTS



DIRECTORS' REPORT

To
The Members

The Directors have pleasure in presenting their 22nd ANNUAL REPORT together with the Audited Accounts for the year ended 31st March, 2008.

FINANCIAL RESULT

Particulars	(Rs. In Lacs)	
	31-3-2008	31-3-2007
Turnover and other Receipt	41603.73	25814.86
Profit before depreciation and taxation	3303.00	1688.08
Less : Depreciation / Amortisation of Goodwill	632.02	387.21
Profit before Taxation	2670.98	1300.87
Less : Provision for Taxation	925.97	183.86
Profit after Taxation	1745.01	1117.01
Balance available for appropriation	2371.35	1291.88
Dividend on Equity Shares & Preference Shares (Including Tax)	381.51	350.68
Balance Transferred to Balance Sheet	1814.84	829.20
EPS (Rs.)	16.22	10.29

DIVIDEND

Your's Directors are pleased to recommend final dividend of Rs. 0.50/- per equity share (@ 5% on par value of Rs. 10/- each) subject to the approval of shareholders, which along with the interim dividend of Rs. 2.00 per equity share adds upto a total dividend of Rs. 2.50 per equity share i.e. 25%. The fixed dividend of 10% has already been paid as Interim and hence no further dividend is payable on preference shares.

The final dividend on equity shares, if approved, will be paid to the members whose name appears on the Register of Members at the time of Book closure date.

Total dividend payout works out to Rs. 381.51 lacs including Rs.39.67 lacs dividend on Preference Shares and tax on dividends for the financial year 2007-08. The payout is 21.86 % of Profit after Tax for the year. It is thought prudent to retain most of the profits by its plough back in the business itself for CAPEX programmes for expansion projects already under implementation.

PERFORMANCE OF THE COMPANY

SOME HIGHLIGHTS :

Some highlights may give you an overall perspective :

- An all around growth year 2007-08 yet again.
- An equally promising start of the current year.
- Another Amalgamation concluded.
- The Right Issue completed successfully.
- H Acid Plant expanded. Capacity increased by 60% (1800 MTPA).
- 3 Projects with Rs. 130 crore CAPEX under implementation and out of that 2 projects will be commissioned in current year and 3rd will be commissioned in early next year. Total additional sales from these will be around Rs. 300 crores (excluding captive consumption).
- On implementation of on going projects, the company will become the largest integrated chemical company manufacturing entire range from Basic Chemicals to Dyes with widest range of Dye Intermediates.
- The quantum jump phase begins.

(1) The Year Under Review :

The year under review was a momentous year for your Company. The year 2007-08 has been a hat-trick year. Yet again, since amalgamation of Bodal Chemicals Pvt. Ltd. with the company, for third time, it has surpassed previous year's performance on all fronts. Your Directors are proud to present excellent and outstanding performance for the year under review by your company. Turnover and other Receipt at Rs. 416.04 crore registered a growth of 61.16% over the previous year. Earning Before Interest, Depreciation & Taxes (EBIDTA) touched Rs. 42.00 crore, a whopping 107.40% increase over the previous year. And finally the bottom line, Net Profit rose by 56.22% over previous year to Rs. 17.45 crore. Exports grew by 53.42% to Rs. 200.81 crore and constitute 49.59% of the total sales. The company, today exports to over 25 countries in almost all continents of the world. Once again, your company has successfully & effectively leveraged its assets, infrastructure and investments resulting in improved productivity and performance for the year under review.

The business has performed well, with productivity gains, growth in volumes and improved margin notwithstanding rise in input cost. The Company's ability to neutralize cost increase and improve margin together with purchasing efficiencies, improvement in manufacturing yield and expenses control helped in increasing profitability. This performance is another milestone for the Company.

(2) Current Year :

As you must have seen from the quarterly result of the performance disclosed for 1st quarter of current year i.e. 2008-09, the growth has continued. Turnover at Rs. 135.08 crore for the 1st quarter of 2008-09 gives a 67.35% increase over the corresponding quarter last year. Operating Profit at Rs. 12.92 crore is 107.52 % more than for the corresponding quarter last year and Net Profit at Rs. 3.72 crore is 50.36 % more than for the corresponding quarter last year.

The Company expects to book a turnover for the entire 2008-09 in range of Rs. 550 to 600 crore and net profit in the range of Rs. 20 to 22 crore. This is in line with the company's declared goal of achieving Rs.1000 crore Turnover and Rs. 100 crore Net Profit in next three years.

Events Completed In Current Year

(1) Amalgamation of Milestone Organic Ltd :

The Hon'ble High Court of Gujarat has passed order for amalgamation of Milestone Organic Ltd (Milestone) with our company, which has become effective from 1.1.2007 on it having been filed with the Register of Companies, Gujarat on 1st August, 2008 as provided in the Scheme.

Milestone is also manufacturing dyes and dyes intermediates. Its expansion was undertaken and is completed. Milestone plants are now running at full capacity. Milestone is expected to add Rs. 45 crore in Turnover of the Company in current year i.e. 2008-09.

(2) Rights Issue :

The company also completed successfully, its Rights Issue which opened on 27th March, 2008 and closed on 25th April, 2008. It was oversubscribed to 1.19 times without any efforts by the management/company or promotional advertisement. I thank you all for your response and for reiterating your faith in the company.

The 52,01,352 Equity Shares at Rs. 20/- each including Rs. 10/- premium per share with Detachable Warrants have been allotted on 24th May, 2008. The warrants, issued with the equity shares will be exchangeable into equity share during February, 2009. One Warrant will be exchangeable into one equity share at Rs. 20/- including Rs. 10/- premium per share.

The Company has fully utilised Rights Issue proceeds i.e. Rs. 10.40 crore in accordance with the objects of Rights Issue.

LISTING OF SECURITIES

Both, the new equity shares and the warrants have been listed at BSE on 29th May, 2008 and have been permitted for trading at BSE on 5th June, 2008. BSE script codes for equity shares and warrants are mentioned in Corporate Governance Report.

Hence, paid up equity share capital of the Company has been increased from Rs. 10.40 crores (1,04,02,704 equity shares of Rs. 10/- each) to Rs. 15.60 crore (1,56,04,056 equity shares of Rs. 10/- each). Because of the share premium collected, the total Reserves of the Company have increased by Rs. 5.20 crore.

CAPACITY EXPANSION FOR H ACID PLANT

Further, the Company has successfully expanded H-Acid plant capacity from 3000 MTPA to 4800 MTPA by addition of 1800 MTPA at Padra unit Nr. Vadodara, Gujarat. Commercial production at additional capacity has already commenced during June, 2008. This added capacity will generate additional sale of Rs. 45 crore every year.

CAPEX UNDER IMPLEMENTATION :

- Large projects are under implementation which have multiple benefits for the company.
- A 12000 MTPA Dyes manufacturing plant is coming up at Bodal's Padra Complex adjacent to Dye Intermediates plant with a CAPEX of Rs. 45 crore. The Company has already started construction work on it. The Unit is expected to be commissioned by December, 2008. This together with existing 6000 MTPA of Dyes manufacturing capacity will make Bodal, the largest dyes manufacturing company in India. This unit will add about Rs. 175 crore in Turnover every year.
- A 4800 MTPA Beta Nephthol plant at a CAPEX of Rs. 20 crores is also under implementation and is also expected to be commissioned by December 2008. This is a backward integration and about 60% will for Bodal's captive use. The balance 40% will add about Rs. 40 crore in turnover every year. This will improve profitability by supplying lower cost inputs captively.
- A 400 MTPD Sulphuric Acid and its derivatives plant is also under implementation at a cost of Rs. 65 crore. Another backward integration plant & effluent recycling plant. This is in line with our vision of supporting green earth and of producing with lesser pollution. The non captive production will add about Rs.85 crores in turnover annually. This will also improve profitability by supplying lower cost inputs captively.

PUBLIC DEPOSITS

The Company has not accepted deposit from public during the year and there was no deposit outstanding on 31st March, 2008.

DIRECTORS

Mr. Ankit S. Patel was appointed as an Additional Director designated as an Executive Director of the Company on 24th May, 2008. As per the provisions of section 260 of the Companies Act, 1956, this Additional Director will hold office only up to the date of the forthcoming Annual General Meeting of the Company. The Company has received notices under section 257 of the Act along with requisite deposit, in respect of him, proposing his appointment as a Director of the Company. Resolution seeking approval of members for the appointment of Mr. Ankit S. Patel, as an Executive Director of the Company has been incorporated in the Notice of the forthcoming Annual General Meeting.

Mr. Hardik M. Shah and Mr. Bipin R. Patel, retires by rotation at the Annual General Meeting. They are being eligible, offers themselves for re-appointment.

For the perusal of shareholders, a brief resume of the above said directors, nature of their expertise, their shareholding in the company and other required details are given in the section of Corporate Governance Report elsewhere in the Annual Report.

During the year, Mr. Hemil M. Shah has resigned as a Director as well as a member of all three committees i.e. Audit Committee, Remuneration committee and Shareholders Grievances Committee on 30th January, 2008 and Mr. Ramesh D. Patel has resigned as a Director of the Company w.e.f. 24th May, 2008. The Board of Directors records its appreciation for contribution made by both the Directors, during their tenure.

INSURANCE

The Company's assets are adequately insured.

AUDITORS & AUDITORS REPORT

Your Directors propose to reappoint the Auditor M/S. Mayank Shah & Associates. Chartered Accountants, Ahmedabad for the financial year 2008-09. The Company has received a certificate from the auditor stating that their appointment, if made, will be within the limit specified under section 224 (1B) of the Companies Act, 1956.

INDUSTRIAL RELATIONS

Industrial relations at all divisions of your Company have always been cordial and continue to be so, your Directors wish to place on record their appreciation for the co-operation received from employees at all levels.

ENVIRONMENT PROTECTION

Your Company has undertaken various environment friendly measures in its different units for promoting better environment. The Company has in place adequate pollution control equipments and all the equipments are in operation.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your attention is drawn to the perception and business outlook of your management for your company in current year and the industry in which it operates including perceived trends in near future. The Management Discussion and Analysis Report as required under clause 49 of the Listing Agreement with the Stock Exchange has been attached and forms part of this Directors' Report.

CORPORATE GOVERNANCE

The Company has complied with all the mandatory requirements as specified under clause 49 of the Listing Agreement by SEBI. As required therein, a separate Report on Corporate Governance forms part of this Annual Report. The certificate from statutory Auditors of the Company regarding compliance of conditions of Corporate Governance is part of this report and is annexed.

Details of various committees constituted by the Board of Directors are given in the Corporate Governance Report annexed and forms part of this report.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, the directors hereby confirm;

1. That in the preparation of the accounts for the financial year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures have been made from the same;
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the accounts for the financial year ended 31st March, 2008. on a 'going concern' basis.

CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT (R&D), TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The information pursuant to section 217(1)(e) of the Companies Act, 1956 read with companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure-A forming part of this report.

PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration of Rs. 24,00,000 or more employed throughout the year or Rs. 2,00,000 or more per month employed for a part of the year.

ACKNOWLEDGEMENT

The outstanding overall performance of the company reflects the dedication, commitment and enthusiasm of the people at all levels at Bodal. Your Directors place on record its gratitude to the shareholders, Banks, valuable customers, suppliers and business associates for their continued support and confidence.

The directors gratefully appreciate the co-operation and assistance extended by the various Central and State Government agencies.

For and on behalf of the Board of Directors

Place: Ahmedabad
Date : 28-8-2008

SURESH J. PATEL
Chairman & Managing Director