



ASAHI SONGWON COLORS LIMITED

(Originally incorporated in the name of Lucky Laminates Private Limited (LLPL) on December 19, 1990. Asahi Dyechem Private Limited was merged with LLPL with effect from April 01, 1994. LLPL was subsequently converted itself into public company on April 19, 1996 and the name of LLPL was immediately changed to Asahi Songwon Colors Limited)

Registered and Corporate Office: 167/168, Indrad Village, Kadi Kalol Road, Dist. Mehsana, Gujarat-382727

Tel: +91-2764 - 233007 / 08 / 09 / 10 **Fax:** +91-2764 - 233020 **e-mail:** ipo@asahisongwon.com,

Website: www.asahisongwon.com

Contact Person: Mr. Deepak Kumar Dash, Company Secretary - Tel: +91-2764- 233007 / 08 / 09 / 10 **Fax:** +91-2764- 233020
e-mail : cs@asahisongwon.com

PUBLIC ISSUE OF [●] EQUITY SHARES OF FACE VALUE OF RS.10/- EACH ISSUED AT A PRICE OF RS. [●] PER SHARE FOR CASH AT A PREMIUM AGGREGATING TO RS. 335 MILLION ("THE ISSUE"). THE ISSUE TO THE PUBLIC WOULD CONSTITUTE ATLEAST 25% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY

PRICE BAND: Rs. 90 TO Rs. 108 PER EQUITY SHARE OF FACE VALUE Rs. 10/- EACH

ISSUE PRICE IS 9 TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 10.8 TIMES OF THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND

This Issue is being made through a 100% Book Building Process wherein upto 50% of the Issue shall be allotted on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB portion shall be available for allocation on a proportionate basis to all QIBs including Mutual Funds, subject to valid bids being received at or above the Issue Price. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

In case of revision in the Price Band, the Bidding period shall be extended for 3 additional working days after such revision, subject to the Bidding/ Offer Period not exceeding 10 working days. Any revision in the Price Band, and the revised Bidding period, if applicable, shall be widely disseminated by notification to the Bombay Stock Exchange Limited, by issuing a press release and by indicating the change on the websites of the Book Running Lead Manager and the terminals of the member of the Syndicate.

RISK IN RELATION TO THE FIRST ISSUE TO THE PUBLIC

This being the first Issue of the Equity Shares of Asahi Songwon Colors Limited ("the Company"), there has been no formal market for the Equity Shares of the Company. **The face value of the Equity Shares of the Company is Rs. 10/- per share and the Issue Price is 9 times of the face value at the lower price band and 10.8 times of the value at the higher price band of the Equity Shares of the Company.** The Issue Price (as has been determined and justified by the Book Running Lead Manager and the Company as stated herein under the paragraph 'Basis of Issue Price') should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and / or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing. The Company has not opted for IPO grading for this Issue.

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the section titled 'Risk Factors' beginning on page ix of this Red Herring Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the Bombay Stock Exchange Limited (BSE). The in-principle approval of BSE for the listing of our Equity Shares has been received pursuant to letters dated February 8, 2007. BSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER



Fortune Financial Services (India) Limited

K.K. Chambers, 2nd Floor, Sir P.T. Marg

Fort, Mumbai - 400 001

Tel: +91-22-2207 7931; Fax: +91-22-2207 2948

E-mail: ascl.ipo@ffsil.com

Website: http://www.ffsil.com

Contact Person: Mr. D. H. Shinde

REGISTRAR TO THE ISSUE



INTIME SPECTRUM REGISTRY LIMITED

Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound,

LBS Marg, Bhandup (W), Mumbai, India 400078

Tel: +91-22-25960320 (9 Lines), Fax: +91-22-25960329

Email: ascl.ipo@intimespectrum.com

Website: www.intimespectrum.com

Contact Person: Mr. Sachin Achar

ISSUE SCHEDULE

BID/ISSUE OPENS ON: MAY 09, 2007

BID/ISSUE CLOSES ON: MAY 15, 2007

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SECTION – I: GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise requires, the terms and abbreviation stated hereunder shall have the meanings assigned therewith.

Term	Description
Company or Our Company or Asahi Songwon Colors Limited	Asahi Songwon Colors Limited, a public limited company incorporated under the Companies Act, 1956
“We” or “us” or “ASCL” and “our company”	Unless the context otherwise require, refers to Asahi Songwon Colors Limited
Promoters	Mrs. Paru M. Jaykrishna, Mr. Gokul M. Jaykrishna, Mr. Munjal M. Jaykrishna.

Conventional / General Terms

Terms	Description
AGM	Annual General Meeting of Asahi Songwon Colors Limited
AOA / Articles / Articles of Association	Articles of Association of Asahi Songwon Colors Limited
Auditors	The Statutory Auditors of the Company, viz. Trushit Chokshi & Associates, Chartered Accountants
Board of Directors / Board	The Board of Directors of Asahi Songwon Colors Limited
Companies Act	The Companies Act, 1956, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Director(s)	Director(s) of Asahi Songwon Colors Limited, unless otherwise specified
Equity Shares	Equity Shares of the Company of face value of Rs. 10/- each
FII	Foreign Institutional Investor (as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000) registered with SEBI
Financial Year /Fiscal /FY	Period of twelve months ended March 31 of that particular year, unless stated otherwise
Government /GoI	The Government of India
HUF	Hindu Undivided Family
Indian GAAP	Generally Accepted Accounting Principles in India
MOA/Memorandum/ Memorandum of Association	Memorandum of Association of Asahi Songwon Colors Limited
NRIs/ Non-Resident Indians	A person resident outside India who is a citizen of India or is person of Indian origin as defined in Foreign Exchange Management (Deposit) Regulations, 2000
Person or Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires

ASAHI SONGWON COLORS LIMITED

Terms	Description
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time
Stock Exchange	Bombay Stock Exchange Limited
Share Subscription Agreement	The share subscription agreement dated April 17, 2007 among the Company, Dainippon Ink and Chemicals Inc, Japan and the promoters of the Company namely, Mrs. Paru M. Jaykrishna, Mr. Gokul M. Jaykrishna, Mr. Munjal M. Jaykrishna

Issue Related Terms

Terms	Description
Allotment	Issue of Equity Shares pursuant to the Public Issue to the successful Bidders
Allottee	The successful bidder to whom the Equity Shares are being / have been issued
Bankers / Escrow Bankers to the Issue	Bankers with whom the Escrow Account for the Public Issue shall be opened
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to or purchase the Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid Closing Date/ Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English National Newspaper, Hindi National Newspaper and a Regional Newspaper
Bid cum Application Form/ Bid Form	The Form in terms of which the Bidder shall make an offer to subscribe the equity shares of the Company in terms of this Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus
Bidding Period/ Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders may submit their Bids

Terms	Description
Book Building Process	Book Building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is being made
BRLM/Book Running Lead Manager	Book Running Lead Manager to the Issue being Fortune Financial Services (India) Limited
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process
Cap Price	The higher end of the Price Band, above which Issue Price will not be finalized and above which no Bids will be accepted
Cut-off Price	The Issue Price finalized by the Company in consultation with the BRLM. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band.
Depository Act	The Depository Act 1996 as amended from time to time.
Depository	A Company registered with SEBI under SEBI (Depository and Participant) Regulations 1996 as amended from time to time.
Depository Participant	A Depository participant as defined under Depository Act.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot the Equity Shares to successful Bidders
Designated Stock Exchange	Bombay Stock Exchange Limited
Red Herring Prospectus/RHP	This Red Herring Prospectus filed with SEBI, which does not have complete particulars on the price at which the Equity Shares are offered and the number of equity shares offered
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst the Company, Syndicate Members, the Registrar, the Escrow Collection Bank(s) and the BRLM for collection of the Bid Amounts and for remitting refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Bankers to the Issue at which bank(s) the Escrow Account of the Company will be opened
First Bidder	The Bidder whose name appears first in the bid cum application form or revision form
Floor Price	The lower end of the price band , below which the Issue Price will not be finalized and below which no Bids will be accepted
Fortune / FFSIL	Fortune Financial Services (India) Limited
Issue Price	The final price at which the Equity Shares will be allotted in terms of the Red Herring Prospectus, as determined by the Company in consultation with BRLM on the Pricing Date

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Terms	Description
Issue Account / Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Issue Period	The period between the Bid / Issue Opening Date and Bid / Issue Closing Date including both these dates
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, being 10% to 100% of the Bid Amount as applicable.
Members of the Syndicate	The BRLM and the Syndicate Members
Mutual Fund Portion	5% of QIB portion or [•]equity shares available for allocation to Mutual Funds only, out of the QIB portion
Non-Institutional Portion	The portion of this Issue being at least 15% of the Issue Size consisting of [•] Equity Shares of Rs. 10 each aggregating Rs. 50.25 millions, available for allocation to Non Institutional Bidders
Non-Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers or Retail Individual Bidders and who have bid for an amount more than Rs. 100,000
Pay-in-Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	Means: (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date; and (ii) with respect to QIBs, whose Margin Amount is minimum 10% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date specified in CAN.
Pre-IPO Placing	The placement of 8,65,200 Equity Shares to DIC, Japan pursuant to the shareholders resolution and the share subscription agreement for a consideration of Rs. 122/- per share referred to in the section entitled “History and Corporate Structure” at page 67 of this Red Herring Prospectus
Price Band	Being the price band of a minimum price of Rs. 90 per Equity Share (Floor Price) and the maximum price of Rs. 108 per Equity Share (Cap Price), both inclusive, including revision thereof
Pricing Date	Means the date on which the Company, in consultation with the BRLM, finalizes the Issue Price
Prospectus	The Prospectus, filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the number of equity shares offered and certain other information
Public Issue Account	An account opened with the bankers to the issue to receive monies from Escrow Account for the Issue on the Designated Date
QIB Portion	The portion of the Issue to the Public being up to 50% equity shares consisting of [•] Equity Shares of Rs. 10/- each at the Issue Price aggregating to Rs. 167.50 million, for allocation to QIBs

Terms	Description
Qualified Institutional Buyers/ QIBs	Public Financial Institutions as specified in Section 4A of the Companies Act, Scheduled Commercial Banks, Mutual Funds registered with SEBI, Foreign Institutional Investors registered with SEBI, Multilateral And Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory And Development Authority (IRDA), Provident Funds with a minimum corpus of Rs. 250 million and Pension Funds with a minimum corpus of Rs. 250 million.
Registered Office of the Company	167/168, Indrad Village, Kadi Kalol Road, Dist. Mehsana, Gujarat 382727.
Red Herring Prospectus or RHP	Means the document issued in accordance with Section 60B of the Companies Act and does not have complete particulars on the price at which the Equity Shares are offered and the number of equity shares offered. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/ Issue Opening Date. It will become a Prospectus after filing with RoC after the pricing and allotment
Registrar/Registrar to this Issue	Intime Spectrum Registry Limited
ROC / Registrar of Companies	Registrar of Companies, Gujarat
Retail Portion	Consists of [●] Equity Shares of Rs. 10/- each aggregating to Rs.117.25 million, available for allocation to Retail Individual Bidder(s).
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have made their bid for Equity Shares for an amount of not more than Rs. 100,000
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of the Bid options as per their Bid-cum-Application Form and as modified by their subsequent Revision Form(s), if any.
Syndicate Agreement	Agreement entered into amongst the BRLM, Syndicate Member and the Company in relation to the collection of Bids in the Issue
Syndicate Member	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLM and In this case Fortune Financial Services (India) Limited
TRS or Transaction Registration Slip	The slip or document registering the Bids, issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLM and the Syndicate Members
Underwriting Agreement	The Agreement dated [●], 2007 between the Underwriters and ASCL, to be entered into on the Pricing Date

Company / Industry related Terms

M.T. p.a. / MTPA / M.T/ annum	Metric tones per annum
CPC	Copper Phthalocyanine
EOU	Export oriented Unit
ECPL	Effluent Channel Project Limited

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ONT	Ortho Nitro Tolune
GDMA	Gujarat Dyestuffs Manufacturers' Association
CHEMEXCIL	Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council
FIEO	Federation of Indian Export Organisations
FIPB	Foreign Investment Promotion Board
MNCs	Multi – National Companies
RI	Reflective Index
E.G.	Example
CIS	Commonwealth of Independent States
Rs.	Rupees

Abbreviations of General Terms

AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
A/c	Account
BSE	Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
DG Set	Diesel Generator Set
DIC, Japan	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
EPS	Earning Per Share
EGM	Extraordinary General Meeting
FCNR Account	Foreign Currency Non Resident Account
FIPB	Foreign Investment Promotion Board
FY / Fiscal/Financial Year	Period of twelve months ended March 31 of that particular year, unless otherwise stated
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
Indian GAAP	Generally Accepted Accounting Principal in India
I.T. Act	Income Tax Act, 1961, as amended from time to time
MoF	Ministry of Finance, Government of India
MOU	Memorandum of Understanding
NAV	Net Asset Value
NPV	Net Present Value
NRIs	Non Resident Indians
NRE Account	Non Resident External Account

NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
p.a.	per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
RBI	The Reserve Bank of India
ROC	The Registrar of Companies, Gujarat located at R O C Bhavan, Opp. Rupal Park, Nr. Ankur Bus Stop, Naranpura, Ahmdeabad 380 013, Gujarat, India
ROE	Return on Equity
RONW	Return on Net Worth
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time
Sec.	Section
TEV Report	Techno – Economic Viability Report
US/USA	United States of America
USD/ US\$/ \$	United States Dollar, the legal currency of the United States of America

PRESENTATION OF FINANCIAL AND MARKET DATA

Financial Data

Unless stated otherwise, the financial data in the Red Herring Prospectus is derived from our financial statements prepared and restated in accordance with Indian GAAP, the Companies Act and SEBI Guidelines included elsewhere in the Red Herring Prospectus. The Company has no subsidiaries. Accordingly, financial information relating to the Company is presented on a non-consolidated basis. The Company's financial year commences on April 1 and ends on March 31. In the Red Herring Prospectus, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

Market Data

Market data used throughout the Red Herring Prospectus has been obtained from (i) the Techno-Economic Viability (TEV) report dated June 12, 2006 of our expansion project at Padra, Vadodara prepared by TEAM Projects and Consultants for State Bank of India (ii) Internal Company reports. These Reports and sources generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes market data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by the Company to be reliable, have not been verified by any independent source except to the extent considered in the TVR.

FORWARD-LOOKING STATEMENTS

Statements included in this Red Herring Prospectus which contain words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expression or variations of such expressions, are "forward-looking statements".

All forward looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others: -

- General economic and business conditions in India and other countries
- Regulatory changes relating to the Dyestuffs and Pigments Industry in India and our ability to respond to them
- Our ability to successfully implement our strategy of growth and expansion, technological changes, our exposure to market risks that have an impact on our business activities or investments.
- The monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry.
- Changes in the value of the Rupee and other currencies.
- The occurrence of natural disasters or calamities
- Change in the political situation in India

For further discussion of factors that could cause our actual results to differ, see the section titled "Risk Factors" beginning on page no.ix of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, and the Book Running Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchange.

SECTION II

RISK FACTORS

An investment in equity involves a higher degree of risk. Investors should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our equity shares. Any of the following risks as well as other risks and uncertainties discussed in this Red Herring Prospectus could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline, which could result in the loss of all or part of your investment.

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial implication of any of the risks described in this section.

We are involved in number of legal proceedings that, if determined against us, could adversely impact our business and financial conditions.

Cases related to the Company

Cases filed against the Company

1. The Company (erstwhile Lucky Laminates Private Limited) has received a show cause notice from the Assissant collector of customs and Central Excise, Rural Division, Paldi, Ahmedabad, dated November 9, 1993, in respect of classification of laminate sheets in the tariff schedule. The approximate amount involved in this case is Rs. 1,26,404/-. The Company has responded to the show cause notice.
2. The Company has received a show cause notice from the asst. Commissioner of Service Tax, Vadodara, dated October 30, 2006, in respect of service tax of Rs. 305,459, on payment of technical know how fees.
3. The Company has received a notice dated June 23, 2006, from the advocate of a worker claiming workmen compensation of Rs. 2,00,000 for the injury caused while working on machines. The Company is negotiating on a mutual settlement.
4. The worker has filed an appeal against the company for wrongful termination of service in the Case no. ref (LCK) 381/04 labour Court, Kalol. The approximate amount involved in this case is not quantifiable. The appeal for reinstatement of service is pending
5. A claim has been filed before the Motor Accident Claims tribunal MACT/2006/794, for the claim of insurance amount of Rs. 100,000, in which our Company is one of the party as the vehicle was used by our Company during the accident.
6. A show cause notice dated October 4, 2006, have been received by the Company from the Gujarat Pollution Control Board, for emission from stack attached to reaction vessel not meeting the norms. The approximate amount involved in this case is not quantifiable. The Company has filed a reply to the notice vide letter dated October 17, 2006 of having rectified the system and emission level of Chlorine.
7. The Joint director General of Foreign trade, Ahmedabad, has issued a defaulter circular no. 587/AM02 dated February 1, 2002, for not producing evidence of fulfilling the export obligations under the advance licence. The approximate amount involved in this case is Rs. 81,735/-.
8. The Company has received demand notice issued under section 28 of the Customs Act, 1962 from the Office of the Commissioner of Customs (Import) New Custom House, Ballard Estate Mumbai 400 001 on 19 February, 2007 for attending the personal hearing pertaining to import of pigment green prees cake vide B/E No. 000466 dated February 13, 2003 IGM No. 13049 dated January 20, 2003, This is pertaining to the pigment green 7 (Press Cake Lot. No. 00106 & 00107 exported to USA which was rejected on the ground of quality by our customer and we were supposed to re-export the same within 6 months from the date of import. There may be a likely demand of approximate Rs. 1.50 lakhs due to failure re-export the said goods in stipulated time. The matter is pending before Assistant Commissioner of Customs.

Income tax related cases by and against the Company

1. The Department of Income Tax has filed an appeal before the Income Tax Appellate Tribunal, Ahmedabad against the order dated August 8, 2003, of the Commissioner of Income Tax (Appeals), ("CIT (A)") for assessment year 2000-01, which overruled the order of the Assessing officer and the demand raised therein of Rs. 1,757,376, in respect of computation of deduction u/s. 80HHC as regards export incentives after ignoring the losses. The Income tax Appellant Tribunal has set aside the order of lower authorities and restore the matters to Assessing Officer for giving effect based on retrospective amendments to section 80HHC and 28.
2. The Department of Income Tax has filed an appeal before the Income Tax Appellate Tribunal, Ahmedabad against the order dated October 18, 2004, of the Commissioner of Income Tax (Appeals), ("CIT (A)") for assessment year 2001-02, which overruled the order of the Assessing officer passed u/s. 143(3), and the demand raised therein of Rs 3,367,213 in respect of computation of deduction u/s. 80HHC as regards export incentives after ignoring the losses. The said appeal is pending.
3. The Company has filed an appeal before the Commissioner of Income-tax (Appeals), Ahmedabad, against the order of the Assessing officer passed u/s. 143(3) dated July 31, 2006, for the assessment year 2001-02, wherein the assessing officer has reassessed the income and made addition in the income on the ground that excise duty on finished goods is not been included in the valuation of closing stock, thereby raising a demand of Rs. 13,02,030. The Company has received order of the CIT (Appeals) allowing the appeal partially. The Assessing Officer has preferred an appeal to the Income-tax Appellate Tribunal against the order of CIT (Appeals). The appeal filed by the Income-tax Department is pending.
4. The Income-tax Department had filed an appeal before the Income –tax Appellate Tribunal ("ITAT") against the order of the CIT(A) permitting the sale proceeds of DEPB licence as receipt falling u/s 28(iib) read with proviso to section 80HHC(3) and thereby qualifying it for deduction u/s 80HHC. The ITAT has restored the order of the CIT(A) for fresh consideration by the Assessing Officer which may lead to a demand of Rs. 1,181,587. for the Assessment Year 2002-03.
5. The Company has filed an appeal before the Income-tax Appellate Tribunal against the order of Commissioner of Income-tax (Appeals), Ahmedabad, received by us on December 01, 2006, for the assessment year 2003-04, wherein the assessing officer has computed the deduction u/s. 80HHC as regards incentives without ignoring the losses, thereby raising a demand of Rs. 2,265,317. Subsequently the Assessing Officer revised the demand to Rs. 16,07,120 by passing an order u/s 250 of the Income-tax Act.
6. The Company has filed an appeal before the Asst. Commissioner of Income-tax (Appeals), Ahmedabad, against the order of the Assessing officer dated August 31, 2006, for the assessment year 2004-05, wherein the assessing officer has computed the deduction u/s. 80HHC as regards incentives without ignoring the losses, thereby raising a demand of Rs. 3,733,099. The said appeal is pending.

Cases involving Directors

Paru M. Jaykrishna

The Gujarat Pollution Control Board has filed criminal case before Judicial Magistrate, Kadi under section 25 along with section 44 of Water Pollution Treatment and Control no. 932/92 against AksharChem (India) Limited in the Kadi Court for not treating the Hazardous chemical before releasing into the water. The hearing is pending till date.

Munjal M. Jaykrishna

The Gujarat Pollution Control Board had filed criminal case no. 640/97 dated June 09, 1997 against AksharChem (India) Ltd. and Mr. Munjal M. Jaykrishna in the Kadi Court for alleged discharge of hazardous waste. The Kadi Court has passed an order against AksharChem (India) Limited and Mr. Munjal Jaykrishna on September 17, 2004. AksharChem (India) Limited and Mr. Munjal Jaykrishna filed an appeal before the Sessions Court, Mehsana on December 13, 2004. The Session Court, Mehsana upheld the order of Kadi Court vide its order dated January 25, 2006. AksharChem (India) Limited and Mr. Munjal Jaykrishna filed an appeal against the order of the Session Court, Mehsana before the Gujarat High Court on April 24, 2006. The appeal is pending disposal before the Gujarat High Court till date.

Cases involving Group Companies

AksharChem (India) Limited

Tax Cases

1. The Department of Income Tax has filed an appeal before the Income Tax Appellate Tribunal, Ahmedabad against the order dated August 23, 2004, of the Commissioner of Income Tax (Appeals), ("CIT (A)") for assessment year 2001-02, which overruled the order of the Assessing officer and the demand raised therein of Rs. 1,129,189, in respect of computation of deduction u/s. 80HHC as regards incentives after ignoring the losses, and charging of consequential interest u/s. 234B and penalty proceedings u/s. 271 (1)(c). The said appeal is pending.
2. AksharChem (India) Ltd. Is in the process of filing an appeal before the ITAT, against the order of the CIT(A) Ahmedabad against the order of the CIT(A) for the assessment year 2003-04 received by the company on December 01, 2006, wherein the assessing officer has computed the deduction u/s. 80HHC as regards incentives without ignoring the losses, thereby raising a demand of Rs. 4,427,234. The Commissioner of Income tax had dismissed the appeal. The Company has filed an appeal before the Income-tax Appellate Tribunal.
3. AksharChem (India) Ltd. has filed an appeal before the Asst. Commissioner of Income-tax (Appeals), Ahmedabad, against the order of the Assessing officer dated August 30, 2006, for the assessment year 2004-05, wherein the assessing officer has computed the deduction u/s. 80HHC as regards incentives without ignoring the losses, thereby raising a demand of Rs. 282,797. The Commissioner of Income-tax had dismissed the appeal. The Company is in the process of filing an appeal before the Income-tax Appellate Tribunal

Indirect tax Cases

1. AksharChem (India) Ltd. has filed an appeal before the Gujarat Sales tax Tribunal for the period 1997-98, regarding disallowance of setoff under rule 42, of Rs. 129,951.
2. AksharChem (India) Ltd. has filed an appeal before the Dy. Commercial Tax Commissioner (Appeal), for the period 2004-05, regarding disallowance of the consignment sale of DEPB licence against Form F, amount to Rs. 1,847,880.

Others

1. The Gujarat Pollution Control Board has filed criminal case before Judicial Magistrate, Kadi under section 25 alongwith section 44 of Water Pollution Treatment and Control no. 932/92 against AksharChem (India) limited in the Kadi Court for not treating the Hazardous chemical before releasing into the water. The final hearing is pending till date.
2. The Gujarat Pollution Control Board had filed criminal case no. 640/97 dated June 09, 1997 against AksharChem (India) Ltd. and Mr. Munjal M. Jaykrishna in the Kadi Court for alleged discharge of hazardous waste. The Kadi Court has passed on order against AksharChem (India) Limited and Mr. Munjal Jaykrishna on September 17, 2004. AksharChem (India) Limited and Mr. Munjal Jaykrishna filed an appeal before the Sessions Court, Mehsana on December 13, 2004. The Session Court, Mehsana upheld the order of Kadi Court vide its order dated January 25, 2006. AksharChem (India) Limited and Mr. Munjal Jaykrishna filed an appeal against the order of the Session Court, Mehsana before the Gujarat High Court on April 24, 2006. The appeal is pending disposal before the Gujarat High Court till date.

Skyjet Aviation Private Limited

Tax Cases

1. Asst. Commissioner of Income Tax, Ahmedabad has filed certain cases against the company, for concealment of income and filing of wrong return of income for the assessment year 1984-85 during the year 1993 and re-opened the return filed with Income Tax Departement for the assessment years 1982-83 to 1986-87. The contention of the Assessing Officer was that there are certian income which would be added to the income of assessee. Accordingly certain addition in the income had been made by Assessing Officer. The company had filed a case against the additions to the ITAT. At present ITAT order clearly mentioned to work out consolidated peak and also deleted certain additions made by CIT (Appeal). and therefore there will be no addition during the A.Y. 1984-85. Assessing Officer has to work out consolidated peak from A.Y. 1982-83. No tax demand is pending as on date.

As the issue of Cash Credit is to be decided afresh, the consequential penalty proceedings initiated u/s 271(1) (c) of the I T Act in relation to such cash credit in the Asst. order dt.30.12.1986 for A.Y.1984-85 stands consequently cancelled till a fresh order giving effect to the ITAT order is passed by the Assessing Officer.

Giving of effect to the order passed of ITAT is pending before A.O. - for A.Y.83-84, 84-85, 85-86 and before A.O. - for A.Y.83-84, 84-85, 85-86 and A.Y.86-87 to 89-90.

A. Risks Specific to the Project

i. We have not entered into any definitive agreement or placed orders for machinery and equipments required to set up our proposed Project.

Our project has been appraised by State Bank of India who has sanctioned term loan of Rs. 80 million to us vide their sanction letter dated October 12, 2006. The net proceeds of the issue are proposed to be utilized to fund the cost of the project as explained in the section "Objects of the issue". We have placed orders for plant and machinery estimated to cost Rs. 23.1 million which is approximately 9.12% of the total estimated cost of the project. Any delay in placing the orders or procurement of plant and machinery, equipments etc may delay the implementation schedule. Such delays may also lead to increase in price of these equipments, further affecting our cost, revenue and profitability. However, most of the plant & machinery are readily available from the reputed manufacturers.

ii. Our Project could face time and cost overrun, which would have a material adverse effect on our business, financial condition and results of operations

Any delay in completing the project due to any reason whatsoever may result in a significant cost and time over run. Due to these time and /or cost overrun, the over all benefits of such plans to our revenue and profitability may decline. Further any delay in commercial production may adversely impact the cash flows and profitability of our company.

iii. Any delay in raising funds from this public issue, commencement of operations as scheduled as per the proposed expansion plan may affect our profitability.

We have embarked on expansion project with an investment of approximately Rs. 520.0 million. Timely commencement of commercial operations of these projects will have a critical bearing on our financial performance. Any delay in their completion or beginning of the production may adversely impact the results of our operations and would also affect the market price of the Equity Shares.

iv. Our inability to deliver as per our business plan could have an adverse impact on our results from operations

Our growth plans are considerable and would put significant demands on our management team and other resources. Any delay in procurement of plant and machinery, installation of plant and machinery could impact our roll out schedules and cause cost and time over runs. These factors could cause diversion of management attention from the expansion plans leading to delays and cost overruns.

v. We may require additional capital resources to achieve our expansion plans

The rate of our expansion will depend to an extent on the availability of adequate debt and equity capital. Our cash flow requirements will be based on cash flows generated by our business. Further, the actual expenditure incurred on our ongoing projects may be higher than current estimates owing to but not limited to, implementation delays, cost over runs or adverse market developments, which may require us to source external capital resources.

vi. The critical risk factors as given in the TEV report prepared by TEAM Projects and Consultants for State Bank of India for the expansion project is given as under:

● **Weaknesses**

- o Limited range of products - Company yet to add further range of products out of over 1500 pigments.

Management Perception:

Our company has opted for manufacturing of certain pigments having good and consistent demand in export and domestic market. It is not considered prudent to manufacture large number of pigment products which may not be proved financially viable. However, our Company would add new products in future if the same is technically, financially and economically viable to produce.

- o Limited Research & Development activities – Needs to set- up further R&D facilities for more advanced pigments.

Management Perception

Our Company is aware of the need for improving the present R&D facilities of the Company and accordingly has proposed to incur capital expenditure of Rs.4 millions towards improving and expanding the R&D facility through the funds to be raised through this Issue.

● Threats

- o Fluctuating prices of Raw Materials – Need to stock at lower prices when possible and need for higher working capital, when possible.

Management Perception:

Our Company is aware of the fluctuating prices of raw material and based on the movement of the raw material prices decide to purchase raw materials in certain quantity so as to keep the raw material cost in control. As regards the need for higher working capital , our Company utilized major part of the profits towards working capital and also renew the working capital facilities provided by the bank from time to time.

- o Stiff Competition from Domestic players and International players

Management Perception:

Our Company operates in a competitive environment as our principal product Pigments is produced by a number of other Pigments producers. Players in this market generally compete with each other on key attributes such as technical competence, quality of products and services and pricing. Besides International Pigment producers, there are three to four competitors in India having similar Pigment products as our Company. Our Company competes against our competitors on our quality, technical competence, distribution channels, logistics facilities, after sales service and customer relationships.

In addition, our Company expects global competition particularly from China in the Pigments markets. However, our Company has an edge over competitors in the areas of quality, technology, low overheads, etc. Further, the proposed expansion project to be part funded through this issue will also benefit our Company in achieving economies of scale in our Pigment production and thereby becoming more competitive in the domestic and international markets.

B. Risks Internal to the Company

i. Contingent liabilities as on December 31, 2006, which have not been provided for

In terms of the audited financial statements as on December 31, 2006, we have contingent liabilities that we have not accounted for aggregating Rs. 28.70 mn. This comprised of the disputed Income tax matters of Rs. 9.96 mn; outstanding bank guarantees of Rs. 4.42 million and Rs.14.32 million against discounting of bills from banks. In the event any of these contingent liabilities gets crystallized, our financial condition may be adversely affected. For further information please see section titled “Financial Statement” on page 84 of this Red Herring Prospectus

ASAHI SONGWON COLORS LIMITED

ii. Group companies making losses

The following companies forming part of the Promoter group of companies have accumulated losses:

Rs. in lacs

Name of the Company	Loss for the year ended March 31,			Accumulated lossesAs on March 31,		
	Audited 2006	Audited 2005	Audited 2004	Audited 2006	Audited 2005	Audited 2004
Skyjet Aviation Private Ltd.	2.32	-	-	1.52	-	-
Intercon Finance Private Ltd.	-	-	0.80	-	-	-
H. K. Investment Co. Pvt. Ltd.	0.30	0.33	0.38	1.07	0.78	8.05
Yamini Investments Co. Ltd. *	0.14	0.21	0.28	3.60	3.46	3.64

* - Promoters have since sold off their shareholding in the company and ceases to be a part of the Promoter Group.

iii. We are vulnerable to volatility in prices of our raw materials which could adversely affect our business and financial results

The main raw materials used in the manufacture of our Pigment products are Phthalic Anhydride, Urea, and Cuprous Chloride. The prices of raw materials we purchase from our suppliers may fluctuate due to changes in demand and supply conditions for these raw materials..In the event of any significant increase in the prices of these raw materials and if we are unable to pass on fully such increase in the prices of these raw materials to our customers, our profitability will be adversely affected. However our company fixes the selling prices of our finished products keeping in view increase in the cost of raw material from time to time.

iv. We are exposed to interruptions in the supply of electricity

Our production processes at both our manufacturing plants require a continuous and adequate supply of electricity. We rely on the Madhya Gujarat Vij Company Limited (MGVCL) and Uttar Gujarat Vij Company Limited (UGVCL) for the supply of electricity to our Padra, Vadodara and Kadi, Mehsana units. The prices of electricity are determined by MGVCL and UGVCL from time to time and are beyond our control. Though we also have DG set at both our facilities, the cost of electricity from this source is higher. Any shortage or interruption in the future to the supply of electricity for extended periods of time will disrupt our operations or increase our production costs.

However, our company has proposed to setup captive power plant of 2 MW capacity based on lignite as fuel, which would help our company to reduce the dependency on aforesaid electricity companies and avoid interruption in supply of electricity as well as helping the company in reducing the cost of power

v. Our business is dependent on our manufacturing facilities. The loss of or shutdown of operations at any of our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations.

Our principal manufacturing facilities at Padra, Vadodara and Kadi, Mehsana are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs, continued availability of services of our external contractors, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant Government authorities. The occurrence of any of these risks could significantly affect our operating results. We carry out planned shutdowns of our plants for maintenance. Although we take precautions to minimize the risk of any significant operational problems at our facilities, our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, including due to any of the factors mentioned above.

vi. Our results of operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees.

The number of our employees will increase with our proposed expansion plans. While we consider our current labour relations to be good, there can be no assurance that we will not experience future disruptions to our

operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations.

vii. Our success depends largely on our senior management and our ability to attract and retain our key personnel. Any significant changes in the key managerial personnel, may affect the performance of the Company.

Our success depends on the continued services and performance of the members of the senior management team and other key employees. The loss of the services of our senior management or other key personnel could seriously impair our ability to continue to manage and expand our business which may adversely affect our financial condition.

viii. We are currently enjoying certain tax incentives which are expiring in the near future. Non-compliance with the conditions for tax incentives or any change in the law relating to tax incentives may affect our profitability after tax.

Under section 10B of the Indian Income Tax Act, export profits of an approved 100% export-oriented undertaking ("EOU") are exempt from income tax for a period of 10 consecutive years commencing from the assessment year in which the EOU commenced its manufacturing of qualifying products for exports, or up to financial year ended March 31, 2009, whichever is earlier. Our Company (comprising our Padra, Vadodara unit) qualifies as approved 100% EOUs under Section 10B of the Indian Income Tax Act with effect from March 2005. In the case of Padra, Vadodara unit which commenced commercial production in financial year 2004-05 the tax incentives will be valid up to financial year ending March 31, 2009. The loss of such tax incentives will adversely impact our profitability.

The entitlement to the tax incentives is subject to certain conditions as mentioned in section 10B of the Indian Income Tax Act. Any defaults or inability of the Company in complying with these conditions would result into loss of such tax incentives, which would adversely impact our profitability.

The Income-tax Act is amended every year by the Finance Act of the respective year. Section 10B may be amended before the validity of the tax incentives, which may result into loss or reduction of the tax incentives.

ix. Our business is dependent on our key customers and the loss of any significant customers could adversely affect our financial results

For FY 2006, our three largest customers accounted for about 56% of our net sales and Clariant Pigment (Korea) Limited alone accounted for around 28% of our net sales. The Supply agreement with Clariant Pigment (Korea) Limited is valid until December 31, 2007. The loss of a significant customer or customers would have a material adverse effect on our financial results. We cannot assure that we can maintain the historical levels of business from these customers or will be able to replace these customers in case we lose any of them.

We are already in negotiation with Clariant Pigments (Korea) Limited to extend the supply agreement for a larger quantity. Further, we have also entered into a Supply Agreement dated April 17, 2007 for supply of certain product from the wider range of CPC Blue Crude products and Toll Manufacturing Agreement dated April 17, 2007 with DIC, Japan for manufacture and supply of certain specified products on a toll manufacturing basis from among the CPC Blue Crude Products with the Technical Information provided by DIC Japan. Upon the implementation and commencement of production from the expansion project to meet the demands of other customers the dependence on a single or a few customers will reduce.

x. Our customers generally do not enter into long-term contracts

Our customers generally do not enter into any long-term contract for purchase of products from us except Clariant Pigments (Korea) Limited whose purchase contract is valid upto December 2007. Clariant Pigments (Korea) Limited being one of the esteemed and largest customer of the company, our company would renew the said contract for further period based on the various factors applicable at the time of renewal. The other customers of our company normally enter into purchase contracts for not more than 3 months period on account of various factors such as demand for their end products, their requirement of our products, pricing, etc. Further, the Company has also entered into a Supply Agreement with DIC Japan in April 2007 for supply of certain

products for a period of one year which is renewable for a further period of twelve months unless terminated earlier. In addition to the Supply Contract, the Company has also entered into a Toll Manufacturing Agreement with DIC, Japan for manufacture and supply of certain specified products exclusively for DIC, Japan with the use of Technical Information from DIC, Japan. The Toll Manufacturing Agreement is for a period of 3 years which shall be automatically renewed for a further period of 3 years unless terminated earlier.

Our ability to maintain close and satisfactory relationships with our customers and to consistently manufacture products that meet the requirements of our customers is therefore important to our business. There is no assurance that these customers will continue to purchase our products from us or that they will not scale down their orders, in the event that they are able to obtain similar products from our competitors at more favorable terms or for any other reason. Any significant loss from losing such customers or reduction in business from them will adversely impact our revenue and profitability.

xi. We face competition in the Pigment industry in India and Internationally.

We operate in a competitive environment as our principal product Pigments is produced by a number of other Pigments producers. Players in this market generally compete with each other on key attributes such as technical competence, quality of products and services and pricing.

Besides International Pigment producers, there are three to four competitors in India having similar Pigment products as our Company. We compete against our competitors on our quality, technical competence, distribution channels, logistics facilities, after sales service and customer relationships. Our inability to compete effectively with these companies can adversely affect the future performance of the company.

Some of our competitors may be able to price their products more attractively or may be able to distribute their products more effectively through establishing better distribution networks, or may have greater access to capital and greater manufacturing, research and development, marketing and other resources than we do. Our inability to remain competitive will adversely and materially affect our business and operating results.

In addition, we expect global competition in the Pigments markets to increase as it will in most other industries as well. Should there be a significant increase in global competition in the Pigments products we manufacture or if we are unable to cope with the global changing market condition by improving our competitiveness, including the price and quality of our Pigment products, our business and operating results could be adversely affected.

Further, we cannot assure you that our competitors will not develop or gain access to similar trade secrets or proprietary information relating to our manufacturing processes and/or technical know-how. The occurrence of any of these events could have a material adverse effect on our ability to compete against our competitors, which would adversely impact on our business and financial performance.

C. Risks External to the Company

i. We are dependent on the political, economic, regulatory, social conditions and regulatory approvals in the countries in which we operate and in which we intend to expand our business.

We sell our products to customers from various countries in North America, Europe, Asia-Pacific etc. As a result, our business and future growth is dependent on the political economic, regulatory and social conditions of these countries. Any change in the policies implemented by the governments of any of these countries which result in currency and interest rate fluctuations, capital restrictions, and changes in duties and tax that are detrimental to our business could adversely affect our operations, financial performance and future growth.

In addition, our Pigment products are regulated products and require prior registration with the relevant governing authorities in each country before they are allowed to be sold. We need to comply with specific qualitative standards (such as the amount of purities and impurities present in our Pigment products). In case we are unable to obtain the necessary product registration for our new products or for our existing products in new markets could have an adverse impact on our business.

ii. Our operations are hazardous and could expose us to risk of liabilities, lost revenues and increased expenses

Our operations are subject to various hazards associated with the production of chemical products such as the use, handling, processing, storage and transportation of hazardous materials as well as accidents such as

leakages and spillages of chemicals. These hazards can cause personal injury and loss of life, damage to and destruction of property and equipment, environmental damage and may result in suspension of operations and the imposition of civil and criminal liabilities. There may be claims of injury by employees or members of public due to exposure / alleged exposure to the hazardous material involved in our business. Liabilities incurred as a result of these events have the potential to materially impact our financial position. Events like these may also adversely impact the perception of our company with suppliers, customers, regulators, employees and the public and could in turn affect our financial condition and business performance.

iii. Our production operations are subject to environmental and health-related laws and regulations in India, and compliance with such laws and regulations may be costly.

Our production operations are subject to laws and regulations, in particular, environmental and health related laws and regulations in India. Under these laws and regulations, we are required to control the use of, as well as restrict the discharge or disposal of hazardous or environmentally objectionable by-products of our production process.

If we breach or fail to comply with these laws and regulations, penalties or fines may be imposed on us. Our Directors and Officers are responsible for such breach or non-compliance and may also be subject to imprisonment in addition to fines or penalties. Further, our manufacturing licence(s) may be suspended, withdrawn or terminated in the event of such breach or non-compliance thereby disrupting our production operations. Should these penalties or fines be significant or should any of our manufacturing licenses be suspended, withdrawn or terminated, our financial performance will be adversely affected.

If there are new regulations or laws imposed, we may incur additional expenditure or costs, or may be required to acquire additional equipment in order to comply with such new laws or regulations. Where such expenditure or costs are significant, our profitability will be adversely affected.

iv. The Equity Shares of our Promoter's Group Company are infrequently traded

The Equity Shares of our Promoter's Group Company, namely, AksharChem India Limited which is listed at BSE, have been infrequently traded in the last six months preceding March 31, 2007 as per the meaning of Regulation 20 (5) of the SEBI (SAST) Regulations.

v. Promoter Group Company AksharChem India Limited has not been able to meet the performance as promised in its public issue document.

The Promoter Group Company AksharChem India Limited has not been able to perform as promised in its public issue document. The promise v/s. performance is as under:

Rs. In Millions

Financial Period Ending	Turnover		Profit after Tax	
	* Promise	Performance	* Promise	Performance
9 months ended December, 1993	63.51	26.88	3.53	0.95
15 months ended March, 1995	149.69	32.97	12.01	2.81
15 months ended June, 1996	214.26	40.24	22.45	2.47
9 months ended March, 1997	128.52	209.15	13.49	7.37
Year ended March 1998	171.36	307.90	18.11	13.02

* the figures have been proportionately adjusted according to the financial period.

vi. Exchange rate fluctuations may adversely affect our financial performance

Uncertainties in the global financial markets may have an adverse impact on the exchange rate between Rupee vis-à-vis other currencies. The exchange rate between Rupee and other currencies is variable and may continue to remain volatile in future depending upon the foreign exchange reserve position of India. Accordingly, any adverse fluctuation in the exchange rate between Rupee and other currencies may adversely affect our financial position and results of operation.

D. Risk Associated with Investment in an Indian Company

- i. Terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in a loss of business confidence and adversely affect our business, prospects, financial condition and results of operations.**

Terrorist attacks, such as the bomb blasts that occurred in Mumbai on July 11, 2006 and on August 25, 2003, the October 2004 bomb blasts that occurred in Northeast India, the World Trade Center attack on September 11, 2001 and the bomb blast in London on July 7, 2005, as well as other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, prospects, financial condition and results of operations. Travel restrictions as a result of such attacks may have an adverse impact on our ability to operate effectively. Increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

- ii. If communal disturbances or riots erupt in India, or if regional hostilities increase, this would adversely affect the Indian economy, the health of which our business depends upon.**

Some parts of India have experienced communal disturbances, terrorist attacks and riots during recent years. If such events recur, our operational and marketing activities may be adversely affected, resulting in a decline in our income.

The Asian region has from time to time experienced instances of civil unrest and hostilities among neighboring countries, including those between India and Pakistan. Since May 1999, military confrontations between India and Pakistan have occurred in Kashmir. The hostilities between India and Pakistan are particularly threatening because both India and Pakistan are nuclear powers. Hostilities and tensions may occur in the future and on a wider scale. Also, since 2003, there have been military hostilities and continuing civil unrest and instability in Iraq and Afghanistan. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including our shares.

E. Risks Related to Our Shares

- i. There is no existing market for the Equity Shares, and we do not know if one will develop to provide you with adequate liquidity. Our stock price will fluctuate after the Issue and, as a result, you could lose a significant part or all of your investment.**

Prior to the Issue, there has not been a public market for the Equity Shares. We cannot predict the extent to which investor interest in our Company will lead to the development of an active trading market on the stock exchanges or how liquid that market might become. If an active market does not develop, you may have difficulty in selling any of the Equity Shares that you purchase. The initial public offering price is not indicative of prices that will prevail in the open market following the Issue. Consequently, you may not be able to sell your Equity Shares at prices equal to or greater than the price paid by you in the Issue. The market price of the Equity Shares on the Bombay Stock Exchange may fluctuate after listing as a result of several factors, including:

- volatility in the Indian and other global securities markets;
- risks relating to our business and industry, including those discussed above;
- our ability to complete the Project in time;
- strategic actions by us or our competitors;
- investor perceptions of the investment opportunity associated with the Equity Shares and our future performance;
- significant development in the regulation of financial services market;
- adverse media reports on us,
- future sales of the Equity Shares,
- variation in our quarterly results of operations

A decrease in the market price of the Equity Shares could cause you to lose some or all of your investment.

ii. Future sales of Equity Shares by Promoters and significant shareholders, may adversely affect the market price of the Equity Shares.

After this Offer, the Promoters will own [●] % of our issued Equity Shares. The market price of the Equity Shares could decline as a result of sales of a large number of the Equity Shares, or the perception that such sales may occur, which may make it difficult for you to sell Equity Shares in the future at a time and at a price that you deem appropriate.

iii. Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.

The Indian securities markets are smaller than securities markets in more developed economies. Indian Stock Exchanges have in the past experienced substantial fluctuations in the prices of listed securities. Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems include temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, from time to time, disputes have occurred between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. Similar problems could occur in the future and, if they do, they could harm the market price and liquidity of the Equity Shares.

iv. Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors.

The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors. There can be no assurance that we shall have distributable funds after we commence operations.

v. Any future equity offerings by us may lead to dilution of your shareholding in us or adversely affect the market price of the Equity Shares.

If we do not have sufficient internal resources to fund our investment requirements or working capital needs in the future, we may need to raise funds through an equity financing. As a purchaser of the Equity Shares in the Issue, you may experience dilution of your shareholding to the extent that we conduct future equity offerings. Such dilutions can adversely affect the market price of the Equity Shares and could impact our ability to raise capital through an offering of our equity securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of the Equity Shares.

vi. The price of our shares may fluctuate widely.

The price of our shares after the Offering may fluctuate widely, depending on many factors, including:

- differences between our actual financial and operating results and those expected by investors and analysts;
- changes in analysts' recommendations or perceptions of us or India or the industry;
- changes in general economic or market conditions in India;
- changes in prices of equity securities of foreign (particularly Asian) and emerging markets companies; and
- broad stock market price fluctuations.

The price of our shares is denominated in Rupees. Fluctuations in the exchange rate between the Rupee and other foreign currencies will affect the amounts of any dividends, and the value of an investment in our shares, for investors who purchase or record investments in our shares in currencies other than the Rupee.

Notes:

1. Public issue of [●] Equity Shares of Rs. 10 each at a price of Rs. [●] for cash aggregating Rs. 335 million (referred to as the “Issue”) comprising [●] Equity Shares of Rs. 10 each. The Issue will constitute at least 25% of the fully diluted post issue paid-up capital of the Company.
2. The net worth of the Company was Rs. 103.07 million as on March 31, 2006 as per our restated financial statements under Indian GAAP and Rs. 170.14 million as on December 31, 2006.
3. The net asset value per Equity Share of Rs. 10 each was Rs. 15.73 as on March 31, 2006 as per our restated financial statements under Indian GAAP and Rs. 25.97 as on December 31, 2006.
4. Investors are advised to refer to the section titled “Basis for Issue Price” on page 31 of this Red Herring Prospectus.
5. The average cost of acquisition of our Equity Shares by our Promoters, Rs. 5 per share.
6. Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
7. All information shall be made available by the BRLM and the Company to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.
8. Investors may contact the “BRLM” for any complaints, clarification or information pertaining to this Issue. For contact details of BRLM, please refer to the cover page of this RHP.
9. During the last five years ended March 31, 2002, 2003, 2004, 2005 and 2006 our related party transactions were Rs. Nil, Rs. 28.86 mn, Rs. 197.79 mn, Rs. 235.27 mn and Rs. 40.68 mn respectively. For details of our related party transactions, please refer to the section titled “Related Party Transactions” as per Auditor’s Report dated April 12, 2007 on page 95 of this Red Herring Prospectus.
10. The Issue is being made through a 100% Book Building Process in which upto 50% of the Issue will be allotted on a proportionate basis to QIBs, 5% out of which shall be available for allocation on a proportionate basis to Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. Further, at least 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.
11. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Investors, Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, please refer to the section titled “Basis of Allotment” on page 144 of this Red Herring Prospectus.
12. In addition to the BRLM, we are obliged to update the prospectus and keep the public informed about any material changes till listing and trading commences in respect of the shares issued through this issue.
13. Under-subscription, if any, in any category would be met with spill-over from other categories at our sole discretion, in consultation with the “BRLM”.

SECTION III: INTRODUCTION

SUMMARY

This is only a summary and does not contain all the information that should be considered before investing in the Equity Shares of the Company. You should read the following summary with the risk factors beginning on page ix of this Red Herring Prospectus and the more detailed information about the Company and its financial statements included in this Red Herring Prospectus before deciding to invest in Equity Shares.

Industry Overview

Pigments

Dyes, Pigments and intermediates are one of the most important industrial chemicals, having applications in various products of industries like textiles, plastics, paints, paper and printing inks. They are colouring agents that impart colour to substrate any material or solution.

Pigments and Dyes are coloured substances. Pigments are solid and do not dissolve. For instance, copper phthalocyanine blue is the primary blue colorant and is quite insoluble in water and organic solvents. Pigments are distinct particles that are practically insoluble in the medium in which they are dispersed and provide color and opacity to any medium on being dispersed.

The global market of Dyes and Organic Pigment industry is estimated to be at US\$ 8.4 billion. (www.freedonia.com) We believe that out of this the size of organic pigment market would be around US\$ 5.5 billion. The global demand for organic pigment is expected to grow at the rate of 4.9 % annually through 2008. (www.freedonia.com). The three major drivers of pigment industry are printing ink industry, paint industry and plastic industry.

Global Market trends

The industry is moving its production base from high cost countries to low cost countries like India and China. India's ability to provide high quality manufacturing is also attracting a higher level of outsourcing from more companies from the developed countries. In addition, companies in the US, Europe, Central and South America, and Japan are also increasing their direct supplies of pigments from India. The Indian ink industry is also expected to consume more pigments.

The market is polarised in the hands of a few large Multinational groups, which are manufacturing a wide variety of printing inks through their multi-location plants worldwide. Thus such large groups include Sun and DIC, (USA and Japan); the Flint group (merged entity of Flint Inks, USA) and BASF, Germany; HUBER Group, Germany; etc. At the same time, there are a number of medium to small players worldwide.

Indian scenario

In the Indian perspective, since published data relating to the market size of pigment industry is not available through official estimates, we can arrive at the estimated market size of Indian Pigment Industry based on the current market sizes of the two main end use segments namely - the ink industry and the Paint industry. The Indian Printing Ink Industry is seen augmenting its turnover on the back of a strong growth in the user industries such as Newspaper, flexible packaging, and publishing, with the present market size of Rs.12,000 millions. (Source: The Hindu Business Line, Feb. 2006). Further, in the year 2001 the Indian Paint Industry was estimated to be of US\$ 925 million (Source: www.research&markets.com). We believe that the paint industry has grown at an annual growth rate of around 6% over last 4 – 5 years. Taking an average growth rate of 6%, the present market size of the paint industry would be around US\$ 1,160 million. (INR 50,000 millions).

Business Overview

Asahi Songwon Colors Limited (ASCL) was formed and incorporated in the name of Lucky Laminates Private Limited (LLPL) on December 19, 1990 with the Registrar of Companies, Gujarat. The name of LLPL was subsequently changed to Lucky Laminates Limited (LLL) on April 19, 1996 and was immediately changed to Asahi Songwon Colors Limited. Prior to the change of name of LLPL to LLL and ASCL, Asahi Dyechem Private Limited (ADPL), a Company promoted by present promoters engaged in manufacture and sale of Pigment Green-7 was merged with LLPL with effect from April 01, 1994 vide the decision of High Court of Gujarat, dated February 28, 1996.

ADPL had set up its plant to manufacture Pigment Green -7 at Kadi, Mehsana with an initial capacity of 180 TPA with total capital expenditure of Rs. 40 million. The commercial production at this plant commenced in the year 1991. In the year 1995-96, the High Court of Gujarat, vide its decision-dated February 28, 1996 passed the scheme of amalgamation of ADPL with LLPL. In the same year ASCL entered into a joint venture agreement with Songwon Color Company Limited (SCCL), a South Korea based company, for receiving the financial investment and technology know-how for manufacture of Green Crude. On entering the technical collaboration with SCCL, ASCL installed a plant for manufacturing Green Crude at a total cost of about Rs. 35 million, which enhanced its installed capacity from 180 TPA to 600 TPA.

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Subsequently, ASCL further expanded its installed capacity to 900 M.T in 2002 and to 1080 MT in the year 2005-06 with a capital expenditure of Rs. 35 million.

Copper Phthalocyanine (CPC) Blue Crude is the major raw material used in manufacture Pigment Green – 7. With a view to expand product range our Company adopted the strategy of vertical integration and set up 100% EOU unit for manufacture of CPC Blue Crude at Padra, Vadodara with an initial installed capacity of 3600 TPA. The facility was commissioned in March 2005 with a total capital expenditure of about Rs.150 million. SCCL provided the production technology for manufacture of CPC Blue Crude also. The technology involves use of alkyl benzene solvent, which provides a faster reaction time and hence better productivity under specific pressure. As the Clariant Limited, a multinational Company based in Muttensz, near Basel, Switzerland has acquired controlling interest of SCCL in February 2006; the name of SCCL was changed to Clariant Songwon Colors Company Limited which was further changed to Clariant Pigments (Korea) Limited (CPKL).

The Jaykrishna family of Ahmedabad has promoted ASCL. Mrs. Paru.M.Jaykrishna, the Chairperson and Managing Director of the Company, has over 20 years of experience and is also the first lady to be elected as Vice President of Gujarat Chamber of Commerce and Industries, Ahmedabad. Mr. Gokul Jaykrishna, Executive Director of the Company and Mr. Munjal Jaykrishna, Executive Director looks after the day-to-day affairs of our Company under the overall guidance of Mrs. Paru.M.Jaykrishna.

Our Company, after commencing the production of grass root project for manufacturing CPC Blue Crude at Padra, Vadodara in March 2005, witnessed good off take for our products in the export market and in the short span of 18 months our Company has been able to achieve capacity utilization of more than 75% of its installed capacity and since October 2006, our Company has achieved 100% capacity utilization. Further the demand for CPC Blue Crude has been increasing and we are unable to meet the demands in the export markets due to capacity constraints. Therefore, we propose to enhance the capacity of our CPC Blue Crude plant from present level of 3600 TPA to 10800 TPA. Furthermore, we also propose to set up the plant for manufacturing of Pigment Beta Blue by way of forward integration for which the required raw material is CPC Blue Crude and has good market potential in the pigment industry. Besides above, with a view to reducing the cost of power and ensuring continuous supply and quality of power, our Company also proposes to set up captive power plant with an installed capacity of 2 MW.

Our Strengths

- Technology and technological support from Clariant Pigments (Korea) Limited (erstwhile SCCL)
- Long term association with key international customers based on product quality and technology. The diversified customer base, spread over a variety of end-use and geographical locations provide a natural hedge against cyclical variations in the industry.
- Access to effluent channel at Vadodara unit leading to low environment damage and lower environment management costs
- Established product quality and the product acceptance from major international customers
- ASCL has qualified and trained technical staff with exposure to international technology and best practices
- DIC, Japan has agreed to subscribe to 8,65,200 equity shares of Rs. 10/- each at Rs. 122/- per share pursuant to the share subscription agreement dated April 17, 2007 representing 10.12% of the Pre-IPO equity share capital of the Company.
- In April 2007, the Company has entered into the supply agreement and the toll manufacturing agreement with DIC, Japan

SUMMARY OF FINANCIAL DATA

The following information should be read together with the information contained in the Auditor's Report included on page 84 of this Red Herring Prospectus.

SUMMARY OF ASSETS AND LIABILITIES (RESTATED)

Rs. In Millions

		As at December 31, 2006	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
I.	Fixed Assets						
	Gross Block	257.80	250.52	219.03	96.54	89.57	87.74
	Less : Depreciation	44.44	35.72	27.94	21.83	18.06	16.31
	Net Block	213.37	214.80	191.09	74.72	71.51	71.44
	Capital Work-in-Progress	21.10	6.74	3.25	3.43	—	1.43
	Total	234.46	221.54	194.34	78.15	71.51	72.86
II	Current Assets, Loans and Advances						
	Sundry Debtors	203.76	90.43	87.48	68.05	30.11	29.50
	Cash and Bank Balances	11.94	9.24	5.52	3.34	3.76	6.35
	Other Current Assets	89.50	79.29	42.03	27.61	34.35	27.21
	Loans and Advances	84.12	55.24	48.26	36.35	27.12	16.72
	Total	389.32	234.20	183.30	135.35	95.35	79.78
III	Less : Liabilities and Provisions						
	Current Liabilities and Provisions	124.24	76.94	74.70	56.06	22.04	8.27
	Secured Loans	234.47	189.23	140.26	70.05	43.36	53.72
	Unsecured Loans	87.41	79.86	68.62	0.00	20.87	24.98
	Deferred Tax (Asset)/Liability (net)	7.54	6.640	6.56	6.49	6.00	0.00
	Total	453.65	352.66	290.14	132.60	92.27	86.97
	Net Worth (I+II-III)	170.14	103.07	87.51	80.90	74.59	65.67
	Net Worth represented by:						
IV	Equity Share Capital	76.85	38.42	38.42	38.42	38.42	38.42
V	Reserves and Surplus						
	Capital Reserve	2.50	2.50	2.50	2.50	2.50	2.50
	Share Premium	0.27	0.27	0.27	0.27	0.27	0.27
	General Reserve	11.20	49.63	7.62	5.62	3.63	7.00
	Profit and Loss Account	94.90	20.57	40.12	34.54	30.39	18.26
	Miscellaneous Expenditure to written off	15.58	8.31	1.44	0.48	0.64	0.79
	Total	93.29	64.66	49.07	42.45	36.15	27.24
VI	Net Worth (IV+V)	170.14	103.07	87.51	80.90	74.59	65.67

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SUMMARY OF PROFIT AND LOSS (RESTATED)
Rs. In Millions

		As at	As at	As at	As at	As at	As at
		9 Months Period ended December 31, 2006	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
I.	Income						
	From Manufacturing	521.62	200.44	126.3	102.31	159.31	127.76
	From Trading	5.91	32.42	265.3	188.67	0.02	7.99
	Export Incentive	4.48	11.1	24.96	31.25	10.11	7.03
	Operating Income	532.01	243.96	416.56	322.23	169.44	142.78
	Other Income	1.58	0.51	0.17	0.37	0.34	0.05
	Increase / (Decrease) in Stock	-3.67	34.60	4.66	-4.98	6.51	6.21
		529.92	279.07	421.39	317.62	176.29	149.04
II.	Expenditure						
	Goods Purchase for Resale	5.89	29.38	267.70	205.42	4.92	6.23
	Raw Material Consumption	338.69	156.77	84.22	51.40	89.35	69.53
	Employee Remuneration and Benefits	6.65	4.15	4.08	3.36	2.62	2.07
	Power & Fuel	27.51	14.45	10.11	7.59	11.31	9.49
	Stores & Spares	2.98	2.19	2.73	1.99	2.51	2.82
	Selling Expenses & Distribution Exp.	15.00	9.49	13.41	10.57	5.98	5.63
	Other Manufacturing & Adm. Exp.	24.05	13.91	16.01	15.93	18.92	18.06
	Finance Charges	16.71	10.36	3.65	2.72	3.45	4.04
	Depreciation	8.89	7.81	6.10	3.76	3.79	3.28
	(Profit)/Loss On Sales of Assets	0.16	-0.002	0.16		2.49	
	Amortisation of Miscellaneous Expenditure (net)	0.78	0.73	0.16	0.16	0.16	0.16
		447.33	249.25	408.32	302.91	145.49	121.31
III.	Profit Before Taxation	82.59	29.82	13.07	14.71	30.80	27.72
	Provision for Taxation						
	- Current	7.35	3.25	1.05	3.80	5.20	1.85
	- Deferred	0.90	0.08	0.07	0.48	0.63	0.00
IV.	Profit After Taxation as per audited statement of accounts (A)	74.33	26.49	11.95	10.43	24.97	25.87
	Impact on account of material adjustments and prior period items (Refer note III(ii)(1)(c))	0.000	-0.506	-0.02	-0.09	0.000	-0.003
	Total Adjustments	0.000	-0.506	-0.02	-0.09	0.000	-0.003
	Tax impact on adjustments	0.0000	-0.1703	-0.0072	-0.0331	0.0000	-0.0011
	Total adjustments net of tax impact (B)	0.00	-0.34	-0.01	-0.06	0.00	-0.002

V.	Adjusted Profit/(Loss)(A-B)	74.33	26.83	11.96	10.49	24.97	25.88
	Surplus / (Deficit) brought forward from Previous Year	20.57	40.12	34.54	30.39	18.26	18.79
VI.	Profit Available for Appropriation	94.90	66.95	46.50	40.88	43.23	44.66
	Proposed Equity Dividend / Interim Dividend	0	3.84	3.84	3.84	9.61	23.05
	Tax on Dividend	0	0.54	0.54	0.49	1.23	2.35
	Transfer to General Reserve	0	42.00	2.00	2.00	2.00	1.00
VII.	Adjusted Available surplus/(deficit) carried to Balance Sheet	94.90	20.57	40.12	34.54	30.39	18.26

THE ISSUE

Public Issue of Equity Shares *	[●] Equity Shares of face value of Rs. 10 each for cash at a premium of Rs. [●] aggregating to Rs. 335 million
Of which:	
Qualified Institutional Buyers Portion **	[●] Equity Shares of Rs. 10 each for cash at a premium of Rs. [●] aggregating up to Rs. 167.50 million (Allocation on a proportionate basis)
- Of which 5% is available for allocation to Mutual Funds [The unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs] - Balance for all QIB including Mutual Funds	Up to [●] Equity Shares of Rs. 10 each for cash at a premium of Rs. [●] aggregating up to Rs. 8.375 million Up to [●] Equity Shares of Rs. 10 each for cash at a premium of Rs. [●] aggregating up to Rs. 159.125 million
Non Institutional Portion	Not Less than [●] Equity Shares of Rs. 10 each for cash at a premium of Rs. [●] aggregating up to Rs. 50.25 million (Allocation on a proportionate basis)
Retail Portion	Not Less than [●] Equity Shares of Rs. 10 each for cash at a premium of Rs. [●] aggregating up to Rs. 117.25 million (Allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue ***	8,550,040 Equity Shares of face value of Rs. 10 each
Equity Shares outstanding after the Issue	[●] Equity Shares of face value of Rs. 10 each
Objects of the Issue	Please see the section entitled "Objects of the Issue" on page 19 of this Red Herring Prospectus.

We confirm and undertake that the issue to the public shall be atleast 25% of the post issue paid up capital.

Note: The shares to be issued through pre IPO placement would be subject to one year lock-in from the date of allotment in IPO.

Names of the allottee	No. of shares to be allotted	% Shareholding Pre - IPO	Price of the shares to be allotted	Lock in Period	Relation if any, with Promoters Or Key Managerial; Personnel
DIC, Japan	8,65,200	10.12	Rs. 122/-	1 year from the date of allotment in the Public Issue.	DIC, Japan is not related to the Promoters or the Key Managerial Personnel of the Company.

** As per the recent amendments to the SEBI Guidelines, allocation to QIB's is proportionate as per the terms of this Red Herring Prospectus. 5% of the QIB portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB portion will also be eligible for allocation in the remaining QIB portion.

Our Company is proposing issue through 100% Book Building Process and up to 50% of Issue size is to be allotted to Qualified Institutional Buyers (QIB).

Under-subscription, if any, in any of the above categories would be allowed to be met with spill over inter-se from any other categories, at the sole discretion of our Company and BRLMs.

*** Assuming the receipt of the formal approval of FIPB and allotment of 8,65,200 equity shares to DIC, Japan. The company has received share application money for 8,65,200 equity shares at Rs. 122/- per share from DIC, Japan pursuant to the Share Subscription Agreement dated April 17, 2007 and the same is deposited with State Bank of India. Upon receipt of approval letter from FIPB the Company shall call a meeting of the Board of Director to allot 8,65,200 shares to DIC, Japan.

GENERAL INFORMATION

Registered Office of our Company

Asahi Songwon Colors Limited,
167/168, Indrad Village,
Kadi Kalol Road,
Dist. Mehsana,
Gujarat-382727
Tel: +91-2764- 233007 / 08 / 09 / 10
Fax: +91-2764- 233020 / 550

Registration No. of Company

Our Company is registered with the Registrar of Companies, Ahmedabad, Gujarat, with Registration No. 04 – 14789 of 1990-91 and Corporate Identity Number (CIN) U24222GJ1990PLC014789. The address of the ROC is as follows:

Registrar of Companies, Gujarat

R O C Bhawan, CGO Complex
Opp. Rupal Park,
Behind Ankur Bus Stop,
Naranpura, Ahmedabad-380 013
Tel: +91-79- 27437597
Fax: +91-79- 27438371

Board of Directors

Our Board of Directors as on date of filing this RHP with SEBI comprise of the following members:

Name of Directors	Designation
Mrs. Paru M. Jaykrishna	Chairperson & Managing Director
Mr. H.K. Khan	Independent Director
Mr. R.K.Sukhdevsinhji	Independent Director
Mr. Arvind Goenka	Independent Director
Mr. Gokul M. Jaykrishna	Executive Director
Mr. Munjal M. Jaykrishna	Executive Director
Prof. Pradeep J. Jha	Independent Director

Mrs. Paru M. Jaykrishna, Chairperson & Managing Director

Mrs Paru M Jaykrishna, aged 63 years, is the promoter of our company. Mrs. Paru is having 35 years of experience in the business. She is also the Founder of AksharChem (India), Skyjet Aviation Pvt. Ltd. She is being first lady appointed as a Vice president and Executive member of Gujarat Chamber of Commerce and Industry. She is a B.A. with Philosophy, a Sanskrit, M.A. with English Literature and LL.B.

Mr. Gokul M. Jaykrishna, Executive Director

Mr. Gokul M. Jaykrishna, aged 38 years, is a promoter of our company and director in AksharChem (India) Ltd, Skyjet Aviation Pvt. Ltd. He was working in Krieger Associates, New Jersey, USA, one of the most influential currency and currency option traders in USA. He has done his specialization in Finance from Lehigh University, Bethlehem, and Bachelors of Science in Economics from University of Pennsylvania.

Mr. Munjal M. Jaykrishna, Executive Director

Mr. Munjal M. Jaykrishna, aged 36 years, is a promoter of our company and from 1991 onwards is in charge of complete operation of the company including Production, Marketing, and Quality Control of our company. He was working in Bank of California, San Francisco, USA, as a Financial Analyst, Paragon Knits, Bethlehem as a Consultant. He is a B.S. in business and Economics from Lehigh University, Bethlehem. He was a project director of Red Cross Fund raiser. He is director in AksharChem (India) Ltd., Skyjet Aviation Private Limited.

Further details of the Board of Directors, Please refer to Chapter titled “Our Management” on page no. 69 of this Red Herring Prospectus.

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Company Secretary

Mr. Deepak Kumar Dash
167/168, Indrad Village,
Kadi Kalol Road, Dist. Mehsana,
Gujarat-382727
Tel: +91-2764- 233007 / 08 / 09 / 10
Fax: +91-2764- 233020 / 550
E-mail: cs@asahisongwon.com

Compliance Officer

Mr. Ashok Kumar Pareek
Vice President (Finance)
167/168, Indrad Village,
Kadi Kalol Road,
Dist. Mehsana,
Gujarat-382727
Tel: +91-2764- 233007 / 08 / 09 / 10
Fax: +91-2764- 233020 / 550
Email: akp@asahisongwon.com

Registrar to the Issue

Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W),
Mumbai, India 400078
Tel: +91-22-25960320(9 Lines)
Fax: +91-22-25960329
Email: ascl.ipo@intimespectrum.com
Contact Person: Mr. Sachin Achar

Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, non-credit of allotted shares in the respective beneficiary account, refund orders etc.

Bankers to the Company

State Bank of India

Overseas Branch
3rd floor, Amrit Jayanti Bhavan,
Navjivan Trust Complex,
PO Navjivan, Ahmedabad – 380 014
Tel: +91-79-27544605-09
Fax: +91-79-27541616/3018

Book Running Lead Manager

Fortune Financial Services (India) Limited

K.K. Chambers, 2nd Floor, Sir P.T. Marg
Fort, Mumbai - 400 001
Tel: +91-22-2207 7931; Fax: +91-22-2207 2948
E-mail: ascl.ipo@ffsil.com
Website: <http://www.ffffil.com>
Contact Person: Mr. D.H. Shinde

Legal Advisors to the Issue

Sterling Law Partners,

310, Rewa Chambers,
Behind Aaykar Bhavan,
Maharshi Karve Road,
Mumbai - 400 020
Tel: +91-22- 6451 6112

Syndicate Members**Fortune Financial Services (India) Limited**

K.K. Chambers, 2nd Floor, Sir P.T. Marg
Fort, Mumbai - 400 001
Tel: +91-22-2207 7931; Fax: +91-22-2207 2948
E-mail: hiten@ffsil.com
Website: <http://www.ffffil.com>
Contact Person: Mr. Hiten Mehta

JM Morgan Stanley Financial Services Private Limited

Apperjay House,
3, Dinshaw Waccha Road,
Churchgate, Mumbai – 400 021
Tel: +91-22-6704 3184/ 3185
Fax: +91-22-6654 1511
Contact Person: Mr. Deepak Vaidya/ Mr. T.N. Kumar

Bankers to the Issue and Escrow Collection Banks**UTI Bank Limited**

Universal Insurance Building,
Sir P.M. Road, Fort, Mumbai – 400 001
Contact Person: Mr. Roshan Mathias
Tel: +91-22-6610 1029/ 2284 6623
Fax: +91-22-2283 5785

HDFC Bank Limited

26-A, Narayan properties,
Chandivili Farm Road, Saki Naka,
Andheri (East), Mumbai – 400 072
Contact Person: Mr. Viral Kothari
Tel: +91-22-2856 9009
Fax: +91-22-2856 9256

State Bank of India

New Issues and Securities Services Division,
Mumbai Main Branch,
Mumbai Samachar Marg,
P.B. No. 13, Fort, Mumbai – 400 023
Contact Person: Mr. Rajeev Kumar
Tel: +91-22-2265 1579/ 2266 2133/ 2265 1363
Fax: +91-22-2267 0745/ 2269 5277

Refund Banker**UTI Bank Limited**

Universal Insurance Building,
Sir P.M. Road, Fort, Mumbai – 400 001
Contact Person: Mr. Roshan Mathias
Tel: +91-22-6610 1029/ 2284 6623
Fax: +91-22-2283 5785

Auditors to the Company

Trushit Chokshi & Associates
401, Shivam Complex, Behind Samartheshwar Mahadev,
Off C.G. Road, Ahmedabad – 380 006
Tel. No. +91-79-26463003
E-mail: trushit@tcaca.com

ASAHI SONGWON COLORS LIMITED

Statement of Inter-se Allocation of Responsibilities for the Issue

No.	Activities	Responsibility	Co-ordinator
1	Capital Structuring with relative components and formalities such as type of instruments, etc.	FFSIL	FFSIL
2	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing.	FFSIL	FFSIL
3	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, etc.	FFSIL	FFSIL
4	Appointment of Registrar, Bankers,	FFSIL	FFSIL
5	Appointment of Printer and Ad agency	FFSIL	FFSIL
6	Non-Institutional and Retail Marketing of the Issue, which will cover, <i>inter alia</i> , - Formulating marketing strategies, preparation of publicity budget - Finalize Media & PR strategy - Finalizing centers for holding conferences for brokers, etc. - Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material - Finalize collection centers	FFSIL	FFSIL
7	Domestic Institutional marketing of the Issue, which will cover, <i>inter alia</i> , - Finalizing the list and division of investors for one to one meetings, and - Finalizing road show schedule and investor meeting schedules	FFSIL	FFSIL
8	International Institutional marketing of the Issue, which will cover, <i>inter alia</i> , - Finalizing the list and division of investors for one to one meetings, and - Finalizing road show schedule and investor meeting schedules	FFSIL	FFSIL
9	Finalisation of pricing in consultation with company	FFSIL	FFSIL
10	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc. The post Issue activities of the Issue will involve essential follow-up steps, which must include finalization of listing of instruments and despatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue, and the bank handling refund business. BRML shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the Company	FFSIL	FFSIL
11.	Any other activities in connection with the offering which are not covered above	FFSIL	FFSIL

The selection of various agencies like Registrars to the Issue, Bankers to the Issue, Bank Collection Centres, Domestic Legal Advisors, Underwriters to the Issue, Advertising Agencies, Public Relations Agencies etc have been finalised by the Company in consultation with the BRLM.

Credit Rating

As the Issue is of Equity Shares, credit rating is not required.

IPO Grading

We have not opted for grading of this Issue.

Trustees

As the Issue is of Equity Shares, the appointment of Trustees is not required.

Monitoring Agency

No agency has been appointed to monitor the utilisation of funds as the present issue is less than Rs. 5000 million.

Appraising Agency

The Project has been appraised by State Bank India, Ahmedabad.

Withdrawal of the Issue

Our Company, in consultation with the BRLM reserves the right not to proceed with the issue anytime after the Bid / Issue Opening Date without assigning any reason thereof.

Book Building Process

Book building refers to the process of collection of Bids, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is fixed after the Bid Closing Date / Issue Closing Date.

The principal parties involved in the Book Building Process are:

1. The Company;
2. Book Running Lead Managers;
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with NSE / BSE and eligible to act as Underwriters. Syndicate Members are appointed by the BRLM;
4. Escrow Collection Bank(s); and
5. Registrar to the Issue.

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs including Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. We will comply with the SEBI Guidelines for this Issue. In this regard, the Company has appointed the BRLM to manage the Issue and to procure subscriptions to the Issue.

Pursuant to amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid(s) after the Bid Closing Date / Issue Closing Date and for further details see the section titled "Terms of the Issue" on page 125 of this Red Herring Prospectus.

The process of Book Building under SEBI Guidelines is relatively new and investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

Illustration of Book Building and Price Discovery Process

(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1000	23	1500	50.00%
1500	22	3000	100.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The issuer, in consultation with the book running lead managers, will finalize the issue price at or below such cut off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

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Steps to be taken for bidding:

1. Check eligibility for bidding, see the section titled "Issue Procedure-Who Can Bid?" on page 129 of this Red Herring Prospectus;
2. Ensure that the Bidder has a demat account; and
3. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with the ROC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that Syndicate Members do not fulfill their underwriting obligations.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the ROC)

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. Million)
Fortune Financial Services (India) Limited K.K. Chambers, 2 nd Floor, Sir P.T. Marg, Fort, Mumbai - 400 001	[●]	[●]
JM Morgan Stanley Financial Services Private Limited Appejay House, 3, Dinshaw Waccha Road, Churchgate, Mumbai – 400 021	[●]	[●]

The above-mentioned amount is indicative underwriting and this would be finalized after pricing and actual allocation. The above Underwriting Agreement is dated [•].

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the Securities and Exchange Board of India Act, 1992 or registered as brokers with the Stock Exchange(s).

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments.

Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement will also be required to procure / subscribe to the extent of the defaulted amount.

CAPITAL STRUCTURE

The Share Capital of our company as at the date of filing of this RHP with SEBI (before and after the Issue) is set forth below:

Rs. Million except per share data

			Nominal Value (Rs.)	Aggregate Value at Issue Price (Rs.)
A.	Authorised Share Capital			
	20,000,000	Equity Shares of Rs. 10 each	200.00	
B.	Issued, Subscribed and Paid-Up Capital before the Issue *			
	7,684,840	Equity Shares of Rs. 10 each	76.84	
C.	865,200	Application money received from DIC, Japan for the Equity Shares of Rs. 10 each at Rs. 122/- per share		105.55
D.	Issue to the Public in terms of this Red Herring Prospectus*			
		Equity Share of Rs. 10 each		335.00
E.	Equity Share Capital after the Issue			
		Equity Shares of Rs. 10 each		[●]
F.	Share Premium Account			
	Before the Issue			0.27
	After the Issue**		[●]	[●]

* The Company had made a Pre-IPO Placing of 8,65,200 shares or Rs. 10/- each to DIC, Japan at a premium of Rs. 112/- per share under the terms and conditions of the Share Subscription Agreement dated April 17, 2007. The company has received share application money for 8,65,200 equity shares at Rs. 122/- per share from DIC, Japan and the same is deposited with State Bank of India pending receipt letter of approval from FIPB. The company has received the communication from Ministry of Finance to the effect that the FIPB has approved the subscription of 865,200 equity shares by DIC, Japan at the meeting of the FIPB held on April 23, 2007 and that formal letter of approval would be issued. Upon receipt of letter of approval from FIPB the Company shall call a meeting of the Board of Director to allot 8,65,200 shares to DIC, Japan.

We confirm and undertake that the issue to the public shall be atleast 25% of the post issue paid up capital

Note: All shares issued through pre IPO placement would be subject to one year lock-in from the date of allotment in IPO.

Names of the allottee	No. of shares to be allotted	% Shareholding Pre-IPO	Price of the shares to be issued (Rs.)	Lock in Period	Relation if any, with Promoters Or Key Managerial Personnel
DIC, Japan	8,65,200	10.12%	122/-	1 year from the date of allotment in the public issue	No relation either with the Promoters or the Key Managerial Personnel

** The share premium account will be determined after Book Building Process

Notes:

- The initial authorised share capital of the company was Rs. 0.10 million divided into 1000 equity shares of Rs. 100.
- The same was enhanced to Rs. 1.0 million on 26.03.1991 pursuant to the resolution passed by the shareholder of our company.
- It was further increased to Rs 7.5 million pursuant to the resolution passed by the shareholder of our company.
- On 29.11.1995, the authorized capital was further enhanced to Rs 50.0 millions, and subsequently enhanced
 - to Rs. 110 million pursuant to the resolution by the shareholders of our Company at the AGM on 27.05.1996,
 - to Rs. 200 million pursuant to the resolution by the shareholders of our Company at the AGM on 25.05.2006.

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Notes to the Capital Structure

1. Equity Share Capital History of our Company

The following is the history of the equity share capital of our Company through the date of this Red Herring Prospectus:

History of Share Capital								
Date of Allotment of Equity Shares/ when made fully paid up	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reason for Allotment	Cumulative number of Equity shares	Cumulative paid-up capital (in Rs.)	Cumulative Share Premium (in Rs.)
December 24, 1990	2	100	100	Cash	Initial subscription to Memorandum and Article of Association	2	200	Nil
March 27, 1991	5,000	100	100	Cash	Further allotment of Equity Shares	5002	500,200	Nil
February 28, 1994	40,550	100	100	Cash	Further allotment of Equity Shares	45,552	4,555,200	Nil
March 21, 1996	302,760	100	100	In lieu of merger (6:1) *	Equity Shares allotted to the shareholders of Asahi Dyechem Pvt. Ltd. on merger (6:1)	348,312	34,831,200	Nil
April 21, 1996	3,483,120	10	10	Split	Splitting of Equity Shares	3,483,120	34,831,200	Nil
September 1, 1997	178,800	10	10	Cash	Further allotment of Equity Shares	3,661,920	36,619,200	Nil
March 1, 1999	180,500	10	11.51	Cash	Further allotment of Equity Shares	3,842,420	38,424,200	272,753
May 26, 2006	3,842,420	10	10	Bonus	Issue of Bonus Shares in the ratio of 1:1	7,684,840	76,848,400	272,753

* 6 equity shares each of face value of Rs. 100 of LLPL (now known as Asahi Songwon Colors Limited) were issued to the shareholders of the Asahi Dyechem Private Limited in lieu of 1 equity share of face value Rs. 100/- each.

The company shall allot 865,200 equity shares to DIC, Japan at Rs. 122/- per share on receipt of the letter of approval from FIPB in terms of disclosures made on page 13 of RHP.

2. Promoters Contribution and Lock-in:

All Equity shares which are being locked in are eligible for computation of Promoters contribution and Lock-in under clause 4.6 of the SEBI Guidelines.

Name of Promoter	Date on which fully paid up Equity Shares were allotted/ acquired/ transferred	Nature of Transaction	Nature of payment of consideration	Face Value (Rs.)	Number of Equity Shares	Issue Price (Rs.) / Transfer Price	% of Post-Issue Paid up capital	Lock in period (Years)
Mrs. Paru M. Jaykrishna	Before Splitting							
	24.12.90	Allotment	Cash	100	1	100		
	27.03.91	Allotment	Cash	100	1000	100		
	28.02.94	Allotment	Cash	100	10250	100		
	16.04.94	Transfer	Cash	100	750	100		
	21.03.96	Allotment	In Lieu of Merger (6:1)	100	137700	100		

	After Splitting 21.04.96 12.07.99 26.05.06	Allotment Transfer Allotment	Split Cash Bonus	10 10 10	1497010 686300 1963300	10 10 10	[●] [●] [●]	[●] [●] [●]
					4146610			
	Less: Transfer 27.03.97 03.04.97	Transfer Transfer	Cash Cash	10 10	120010 100000	10 10		
TOTAL					3926600			

A total of [●] Equity Shares forming 20% of the post Issue paid up capital of our company shall be locked in by Mrs. Paru M. Jaykrishna for a period of three years on a Last in First Out (LIFO) basis as minimum promoters contribution and a specific return consent in this regard has been obtained from the aforesaid promoter. The lock-in shall start from the date of allotment in the proposed Issue and the last date of the lock-in shall be reckoned as three years from the date of allotment in the public issue. The entire pre-Issue capital other than: (a) locked in as minimum promoters' contribution and (b) including the Equity Shares proposed to be issued in the Pre-IPO Placing, shall be locked in for a period of one year from the date of Allotment under this Issue.

Further the aforesaid promoter have given an undertaking that securities forming part of the minimum Promoters' contribution subject to lock-in, will not be disposed /sold /transferred by the promoter during the period starting from the date of filing the RHP with SEBI until the date of commencement of lock-in period as stated above.

As per Clause 4.15.1 of the SEBI Guidelines, the locked-in Equity Shares held by the aforesaid promoter can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan.

Under Clause 4.16.1(a) of the SEBI Guidelines, the Equity Shares held by persons other than the promoter prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeovers Regulations.

Further, under Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the aforesaid promoter may be transferred to and amongst the promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations.

3. Shareholding Pattern of our Company

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue:

Name of the shareholder	Pre-Issue (As on the date of filing of this RHP)		Post-Issue	
	Number of Equity Shares	Percentage equity share capital (%)	Number of Equity Shares	Percentage equity share capital (%)
Promoters				
Paru M. Jaykrishna	3,926,600	51.10	[●]	[●]
Gokul M. Jaykrishna	1,000,000	13.01	[●]	[●]
Munjal M. Jaykrishna	1,000,000	13.01	[●]	[●]
Promoter Group				
Aksharchem (India) Limited	1,027,020	13.38	[●]	[●]
Intercon Finance Private Limited	600	00.00	[●]	[●]
Foreign Investor				
Clariant Pigment (Korea) Limited	7,18,600	9.35	[●]	[●]
Individual				
Suresh P. Desai	20	0.00	[●]	[●]
Dr. Swati Bhandarkar	6,000	0.07		
Mrs. Sushila S Joshi	6,000	0.07		
Total	7,684,840	100.00	[●]	[●]

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4. We, nor our Directors / Promoters / Promoter Group, nor their respective Directors and the “BRLM” have entered into any buy-back and/or standby or similar arrangements for purchase of Equity Shares of our Company from any person.
5. An over-subscription to the extent of 10% of the Issue can be retained for the purposes of rounding off while finalising the basis of allotment.
6. Securities offered through this Issue shall be made fully paid up or may be forfeited within 12 months from the date of allotment of securities in the manner specified in Clause 8.6.2 of the SEBI DIP Guidelines.
7. The list of our top ten shareholders and the number of Equity Shares held by them is as under:
 - a. Our top ten shareholders* and the number of Equity Shares of Rs.10 each held by them on the date of filing the Red Herring Prospectus with SEBI is as follows:

Sr. No.	Name of Shareholders	As at date of filing with the SEBI	Percentage of pre-issue share capital
1.	Paru M. Jaykrishna	3,926,600	51.10
2.	AksharChem (India) Ltd.	1,027,020	13.38
3.	Gokul M. Jaykrishna	1,000,000	13.01
4.	Munjal M. Jaykrishna	1,000,000	13.01
5.	Clariant Pigment (Korea) Limited	7,18,600	9.35
6.	Dr. Swati Bhandarkar	6,000	0.07
7.	Mrs. Sushila S Joshi	6,000	0.07
8.	Intercon Finance Private Limited	600	0.01
9.	Mr. S.P. Desai	20	0.00
	Total	7,684,840	100.00

- b. Our top ten shareholders* and the number of Equity Shares of Rs. 10 each held by them 10 days prior to date of filing this Red Herring Prospectus with SEBI is as follows:

Sr. No.	Name of Shareholders	10 days prior to date of filing	Percentage of pre-issue share capital
1.	Paru M. Jaykrishna	3,926,600	51.10
2.	AksharChem (India) Ltd.	1,027,020	13.37
3.	Gokul M. Jaykrishna	1,000,000	13.01
4.	Munjal M. Jaykrishna	1,000,000	13.01
5.	Clariant Pigment (Korea) Limited	7,18,600	9.35
6.	Intercon Finance Private Limited	600	0.01
7.	Dr. Swati Bhandarkar	6,000	0.07
8.	Mrs. Sushila S Joshi	6,000	0.07
9.	Mr. S.P. Desai	20	0.00
	Total	7,684,840	100.00

- c. Our top ten shareholders* and the number of equity shares held by them two years prior to date of filing of this Red Herring Prospectus with SEBI is as follows:

Sr. No.	Name of Shareholders	Two years prior to date of filing	Percentage of pre-issue share capital
1.	Paru M. Jaykrishna	19,63,300	51.10
2.	AksharChem (India) Ltd.	5,00,000	13.01
3.	Gokul M. Jaykrishna	5,00,000	13.01
4.	Munjal M. Jaykrishna	5,19,510	13.52
5.	Clariant Pigment (Korea) Limited (formerly Songwon Colors Company Limited)	3,59,300	9.35
6.	Intercon Finance Private Limited	300	0.01
7.	Mr. S.P. Desai	10	0.00
	Total	3842420	100.00

* - There are only nine or seven shareholders, as the case may be, as on the respective dates mentioned above.

7. There are no outstanding financial instruments or any other rights, which would entitle promoters or shareholders or any other person any option to acquire our Equity Shares after the IPO.
8. None of our Promoters, members of our promoter group have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI except by AksharChem (India) Limited, a group company as under:

Sr. No.	Transferor	Trasferee	No. of Shares
1.	AksharChem (India) Limited	1. Mrs Sushila Suresh Joshi 2. Mr. Suresh Jugalkishore Joshi	6000
2.	AksharChem (India) Limited	Dr. Swati Bhandarkar	6000

9. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
10. Except as disclosed in this Red Herring Prospectus, none of our Directors and key managerial personnel holds any Equity Shares.
11. Except as disclosed herein, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue, exercise of employee stock options or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares issued have been listed.
12. Except as disclosed herein, we presently do not intend or propose to alter our capital structure for six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise. However, during such period or at a later date, we may issue Equity Shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Company, subject to compliance with appropriate guidelines, regulations, etc.
13. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
14. The Company has not raised any bridge loans against the proceeds of the Issue.
15. In the case of over-subscription in all categories, upto 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, of which 5% shall be reserved for Mutual Funds. Mutual Funds participating in the 5% portion in the QIB category will also be eligible for allocation in the remaining QIB portion. Further, not less than 15% of Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of Issue shall be

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available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above this Issue Price. Under-subscription, if any, in the Non Institutional and Retail categories would be allowed to be met with spill-over from any other category at the sole discretion of our Company in consultation with the BRLM.

16. Our Company does not have any Employee Stock Option or Employee Stock Purchase Scheme.
17. The Company has not revalued its assets since inception.
18. As on the date of filing of this Red Herring Prospectus, the total number of holders of Equity Shares is 9.
19. There are no payments, direct or indirect, in the nature of a discount, commissions, allowance or otherwise, shall be made either by the Company or the Promoters in any public issue, to the persons who have received firm allotment in this issue.
20. The shares to be issued to DIC, Japan shall be subject to one year lock-in from the date of allotment in IPO.

Names of the allottee	No. of shares to be allotted	% shareholding Pre-IPO	Price of the shares to be issued (Rs.)	Lock in Period	Relation if any, with Promoters Or Key Managerial Personnel
DIC, Japan	8,65,200	10.12%	122/-	1 year from the date of allotment in the public issue	No relation either with the Promoters or the Key Managerial Personnel

The company has issued 8,65,200 equity shares of Rs. 10/- to Dainippon Ink and Chemicals, Inc. Japan ("DIC") at a premium of Rs. 112/- pursuant to the Share Subscription Agreement entered among the Promoters, DIC and the Company on April 17, 2007. The company has received share application money for 8,65,200 equity shares at Rs. 122/- per share from DIC, Japan and the same is deposited with State Bank of India. Upon receipt of approval letter from FIPB the Company shall call a meeting of the Board of Director to allot 8,65,200 shares to DIC, Japan.

OBJECTS OF THE ISSUE

Our Company, after commencing the production of grass root project for manufacturing CPC Blue Crude at Padra, Vadodara in March 2005 has witnessed good off take for our products in the export market and in the short span of 18 months our Company has been able to achieve capacity utilization of more than 75% of its installed capacity and since October 2006, our Company has achieved 100% capacity utilization. Further the demand for CPC Blue Crude has been increasing and we are unable to meet the demands in the export markets due to capacity constraints. Therefore, we propose to enhance the capacity of our CPC Blue Crude plant from present level of 3600 TPA to 10800 TPA. Furthermore, we also propose to set up the plant for manufacturing of Pigment Beta Blue by way of forward integration for which the required raw material is CPC Blue Crude and has good market potential in the pigment industry. Besides above, with a view to reducing the cost of power and ensuring continuous supply and quality of power, our Company also proposes to set up captive power plant with an installed capacity of 2 MW. All the aforesaid expansion and new projects are proposed to be set up at our existing plant at Padra, Vadodara. The proceeds of the proposed issue of equity shares are intended to be deployed towards:

- To meet the cost of expansion projects envisaging increase in the capacity of CPC Blue Crude from present level of 3600 TPA to 10800 TPA.
- To meet the cost of project for setting up 1200 TPA pigment beta blue plant.
- To set up captive Power plant of 2MW capacity to reduce the cost of power and ensuring uninterrupted power supply.
- To meet the issue related expenses.
- To achieve the benefits of listing.

The main objects clause of the Memorandum of Association of our Company enables us to undertake our existing activities and the activities for which the funds are being raised by us, through the present issue.

Requirements of Funds

• Project

1. Proposed product and type of project	:	• Copper Phthalocyanine (CPC) Blue Crude – Expansion project • Pigment Beta Blue – New project • Captive Power Plant – New project
2. Plant Location	:	Plot no. 429-432, Village Dudhwada, ECP channel Road, Taluka – Padra, District – Vadodara (Gujarat), India.
3. Installed capacity	:	CPC Blue Crude capacity expansion – 7200 TPA Pigment Beta Blue – 1200 TPA Captive Power Plant – 2 MW
4. Technology	:	• CPC Blue Crude – The technology has been acquired from Clariant Pigments (Korea) Limited. • Pigment Beta Blue – In - house technology. • Captive Power Plant– Conventional thermal power generation technology

• Cost of the project

Our expansion project has been appraised by State Bank of India (SBI) and it has sanctioned term loan of Rs. 80.0 millions vide its sanction letter dated October 12, 2006. As per the Techno Economic Viability (TEV) report dated June 12, 2006 prepared for SBI by M/s TEAM Projects and Consultants the cost of expansion project is as under:

(Rs. in millions)

	CPC Blue Crude Capacity Expansion	Pigment Beta Blue	2MW Power Project	Total
1 Land and Land Development	0.5	1.0	–	1.5
2 Buildings	47.0	8.9	4.5	60.4

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	CPC Blue Crude Capacity Expansion	Pigment Beta Blue	2MW Power Project	Total
3 Plant & Machinery				
Process Equipments	100.8	42.4	80.0	223.2
Pipes & Pipe fittings	6.5	2.2	–	8.7
Erection/Piping/Paints	8.5	3.5	–	12.0
Insulation	2.5	1.5	–	4.0
Electrical cables/Panel boards/Motors	7.5	3.5	–	11.0
Instrumentation	2.5	1.5	–	4.0
4 R&D Centre (Equips.)	2.5	1.5	–	4.0
5 Misc. Fixed Assets	12.2	3.1	–	15.3
6 P&P expenses incl. Issue expenses	40.4	–	–	40.4
7 Contingency @ 2%	4.0	–	–	4.0
8 Working Capital Margin	65.1	66.4	–	131.5
Sub-Total (1 to 8)	300.0	135.5	84.5	520.0
Total Cost	300.0	220.0		520.0

- Means of Finance**

Our total funds requirements for the aforesaid projects are estimated at Rs. 520.0 millions. As per the TEV report mentioned above, the means of finance for the expansion project is as under:

Rs. in millions

Means of Finance	Amount
I. Issue Proceeds	400.0
II. Term Loan from SBI	80.0
III. Internal Accruals	40.0
Total	520.0

However, after the appraisal and sanction of term loan by SBI, our company based on the appropriate equity structure of the Company, conserving the internal generations for meeting long term working capital requirement of our Company and present capital market conditions has decided to increase the issue size to Rs. 440 millions from Rs. 400 millions by removing the internal accruals of Rs. 40 millions from the scope of means of financing of the expansion projects without changing the overall cost of the project. We have vide our letter dated December 09, 2006 intimated SBI of the decision of the management of the limited modification in the means of finance.. Accordingly, the original and revised means of financing is given as under:

Rs. in millions

Means of Finance	Original	Revised
Issue proceeds (including Pre – IPO Placement)	400.0	440.0
Term loan from SBI	80.0	80.0
Internal accruals	40.0	0.0
Total	520.0	520.0

We confirm that firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through the proposed public issue has been made.

● Appraisal

The expansion project has been appraised by State Bank of India and has sanctioned a term loan of Rs. 80.0 million vide its letter dated October 12, 2006. M/s TEAM Projects and Consultants have prepared a Techno- Economic Viability Report of our Expansion Project dated June 12, 2006 for State Bank of India. State Bank of India has given its consent for their name being included as appraising agency; vide their letter, dated November 30, 2006.

The above TEV report has been used as the basis for this RHP wherever required.

TEAM Projects & Consultants (TPC), is a Vadodara based consultancy firm established in 1983 with a view to provide consultancy services in the areas of project formulation, project appraisal, project management, performance consulting, etc providing services to the Industry sector, Infrastructure sector – Power, Water, Wind Power, IT / ITES SEZ (Special Economic Zone), Amusement / Entertainment sector, International Business / Export / eTrade / eBusiness and Education / University sector.

TPC has successfully completed over 218 consulting projects / assignments (about 118 Techno-economic Feasibility / Viability Studies including 56 assignments for State Bank of India and 62 for other Banks/FIs/Governments/Clients) in diverse industries / sectors for clients in several Banks, Governments and Private sector located in India, Singapore, Hong Kong, Dubai, Oman, UK and USA. TPC has associates in India, UK and Sudan.

TPC is approved / accepted by / enlisted with State Bank of India (including Mid-Corporate Group), IDBI/IFCI/ICICI, Central Bank of India, Union Bank of India, Canara Bank, SISI, Ministry of Industry, CDC, Ministry of Science & Technology, Government of India, for the purpose of techno-economic feasibility / viability studies / project appraisal and performance improvement.

TPC is headed by Dr Rajesh M Khajuria, aged 48, is qualified Graduate with MBA (Finance), PhD (Management), CMC, FIMC, a Certified Management Consultant who was awarded 'Fellow' in 1995 by The Institute of Management Consultants of India (IMCI). TPC has also established a company in London, UK in the name of TEAMPro Limited for providing similar services to Non Resident Indian and foreigners based in UK.

(Source: TEV Report)

● Brief note on the term loan sanctioned by SBI and basic terms and conditions of the term loan

Term loan of Rs. 80 millions has been sanctioned by SBI vide its letter dated October 12, 2006 for the proposed expansion project envisaging expansion of CPC Blue Crude capacity from 3600TPA to 10800 TPA, setting up of plant for manufacturing pigment beta blue of 1200 TPA and setting up of captive Power plant of 2 MW at Padra, Vadodara. The said term loan can be convertible into FCNR (B) term loan.

Terms and conditions for the proposed term loan:

- i. Upfront fee of 1% of the loan amount with minimum Rs.1.25 million.
- ii. Commitment charge of 1% for delayed draw down beyond 2 months.
- iii. EM charges of Rs.15000/- (applicable per instance)
- iv. Interest payable as per SBAR and spread over SBAR on Monthly basis
- v. The term loan to be repaid 16 quarterly installments commencing from quarter ended June 2007
- vi. The term loan to be secured by:
 - Equitable mortgage over factory land at plot no. 429 – 432, ECP channel road, village – Dhudhvada, Taluka – Padra, District – Vadodara and buildings thereon of the proposed factory
 - Hypothecation of plant & machinery and other fixed assets purchased out of bank finance
 - Collateral security which includes:
 - Sole charge over the fixed assets (Land, Building, Plant & Machinery) Pigment Green – 7 plant of the Company situated at 167/168, Indrad village, Kadi Kalol Road, Chhatral, District Mehsana.
 - Pledge of TDR (in lieu of the waiver of post shipment cover of ECGC)
 - Extension of the charge over current assets for Term Loan
 - Personal guarantee of Mrs. Paru M. Jaykrishna, Mr. Gokul M. Jaykrishna and Mr. Munjal M. Jaykrishna.

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Important terms and conditions

- i. The term loan will be disbursed for the phase I of the CPC Blue Crude expansion project, subject to submission of company's auditor's certificate certifying raising of unsecured loans in proportion to the promoters margins for the phase one of the project. These unsecured loans will be allowed to be repaid only out of IPO proceeds.
- ii. Any cost over run should be made by the promoters
- iii. The company will submit all necessary approvals/certificate including current and valid pollution control approval obtained from the appropriate authority
- iv. No interest should be paid for the existing unsecured loans of Rs. 87.41 million and will be retained till the currency of the banks loan. Company and depositors who have placed the deposits with the company, undertaking to that effect should be obtained by the branch.
- v. Option to convert the term loans outstanding FCNR (B-TL) subject to funds angle clearance from appropriate authority of the bank.

The weaknesses and threats as mentioned in the TEV report are given below:

- **Weaknesses**
 - o Limited range of products
 - o Absence of Research & Development activities
- **Threats**
 - o Fluctuating prices of Raw Materials
 - o Stiff Competition from Domestic players and international players
- **Details of Cost of Project**

1. Land and Land Development

Our company proposes to carry out the expansion of its CPC Blue Crude plant at present location together with Pigment Beta Blue and Captive Power project at Padra, Vadodara in Gujarat. For the purpose of setting up of these projects, our company has adequate land ad-measuring 85000 sq.mt. out of which only 10000 sq.mt. has been used for the existing project. The proposed expansion project of CPC Blue Crude and new projects namely Pigment Beta Blue and power would require land of about 10000 sq.mts only. As such purchase / acquisition of additional plant have not been envisaged. However land / site development expenses of Rs. 1.5 millions has been assumed towards land leveling, internal roads, etc.

2. Building

Out of proposed expansion of CPC blue crude capacity by 7200 TPA, expansion of 3600 TPA would be accommodated in the existing factory building of CPC Blue Crude by carrying out necessary modification in the building estimated at Rs. 15.03 millions as under:

● CPC Blue Crude

S. No	Buildings	Type	Qty	Size Qty	Area in M ² .	Height of the Building in Meter	Rate in Rs./M ² .	Cost in Rs. Millions
1	Main Factory Building							
	(i) Ground Floor	RCC/Steel	—	—	—	—	—	—
	(ii) Mezzanine Floor - at 3 mtr Lvl	Steel/RCC		18x12	216	—	6000	1.30
	(iii) At Level - 4.85 meter	Steel/RCC		25x15	375		6000	2.25
	(iii) At Level - 6.5 meter	Steel/RCC		18x12	216		6000	1.30
	Total Area				807			
2	Thermic Fluid Heater	RCC/Bricks	1	20x7	140	8	12000	1.68
3	HT/LT/DG Room	RCC/Bricks	—	—	—	—	—	

S. No	Buildings	Type	Qty	Size Qty	Area in M ² .	Height of the Building in Meter	Rate in Rs./M ² .	Cost in Rs. Millions
4	Underground Storage tanks	RCC/Bricks	1	7.5x7.5	56	4.5	–	0.75
5	Aerators	RCC/Bricks	1	10x10	100	4	6000	0.60
6	Clariflocuulator	RCC/Bricks	1	9.5x3	30	3	6000	0.18
7	Secondary Clarifier	RCC/Bricks	1	8x3	24	3	6000	0.14
8	Treated Water Sump	RCC/Bricks	–	–	–	–	–	–
9	Panel Room	RCC/Bricks	1	10x6	60	5	6500	0.39
10	Tank Farm	RCC/PCC	–	35x8	280	–	2000	0.56
11	Machinery Foundations	RCC	Lumpsum	–	–	–	–	0.70
12	Godown Expansion	Bricks/Cem	1	30x3030x5	1050	6	4500	4.73
13	ML Collection cum Neutralisation	RCC/Bricks	1	7diax2.8	77	2.8	6000	0.46
	Total Cost							15.03

For the balance 3600 TPA proposed expansion of CPC blue crude, our company would require additional building of 8680 sq.mt for housing the plant, godown as also certain utilities. The construction will be of RCC type as required for the chemical industry. The details of construction together with total cost at Rs.32.08 millions is given as under:

S. No	Buildings	Type	Qty	Size Qty	Area in M ² .	Height of the Building in Meter	Rate in Rs./M ² .	Cost in Rs. Millions
1	Main Factory Building (i) Ground Floor (ii) Mezzanine Floor - at 3 mtr Lvl (iii) At Level - 4.85 meter (iii) At Level - 6.5 meter Total Area	RCC/Steel Steel/RCC Steel/RCC Steel/RCC		35x25 20x12 30x15 18x12	875 240 450 216 1781	16	6000	10.69
2	Thermic Fluid Heater	RCC/Bricks	1	20x7	140		12000	1.68
3	HT/LT/DG Room	RCC/Bricks	1	10x10	100		6500	0.65
4	Underground Storage tanks	RCC/Bricks	2	7.5x7.5	56	4.5		1.50
5	Aerators	RCC/Bricks	1	10x10	100	4	6000	0.60
6	Clariflocuulator	RCC/Bricks	1	9.5x3	30	3	6000	0.18
7	Secondary Clarifier	RCC/Bricks	1	8x3	24	3	6000	0.14
8	Treated Water Sump	RCC/Bricks	1	10x10	100	3	6000	0.60
9	Machinery Foundations	RCC	Lumpsum					2.00
10	Godown Expansion	RCC	1	30x40	1200	7	4500	5.40
11	Staff Toilets/ Workers Room	Bricks	1	10x10	100	3.5	3500	0.35
12	Roads	RCC/Tar Tar	1	10x10 50x4 500x3	100 200 1500	3.5	3500 600 450	0.35 0.12 0.68
13	ML Collection tanks	RCC/Bricks	2	11x11	121	4	6000	1.45
14	Tank Yard	PCC	1	18x15	270		2000	0.54
15	Pipe Bridge / MS Structure	MS	Lumpsum	–	–	–	–	2.00
16	Administrative Block	RCC/Bricks	2	17x12	204 30	– –	7200 7200	2.94 0.22
	Total Cost							32.08

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Pigment Beta Blue

S. No.	Building Name	Type	Size / Qty.	Area of the Building in M ²	Type of Construction	Rate in Rs. per Sq.Mtr.	Cost in Rs. Million
1	Main Factory Building						
	a. Milling Section	Bricks / RCC	25 x 25	625	RCC / PCC	6000	3.75
	b. Processing Plant						
	(i) Gr. Floor Plant	RCC/Steel	25 x 25	625	RCC/Steel	6000	3.75
	(ii) 1st Floor Plant	RCC/Steel	20 x 10	200	RCC/Steel	6000	1.20
2	Pump Foundation	RCC	Lumsum				0.20
	Total Cost						8.90

● Captive Power Plant

S. No	Buildings Name	Type	Qty	Size Qty	Area in M ² .	Height of the Building in Meter	Rate in Rs. per Mtr.	Cost in Rs. Millions
1	Power House Building	RCC/Bricks	2	10x10	100	8	6000	1.20
2	Boiler House	RCC/Bricks	1	15x15	225	10	10000	2.25
3	Panel Room	RCC/Bricks	1	10x12	120	5	6250	0.75
4	MS Structure /	Lumsum						0.32
	Total Cost							4.52

3. Plant & Machinery

The company proposes to purchase various plant & machinery for CPC blue crude plant, Pigment Beta Blue, and Power plant as under:

I. Expansion in the capacity of CPC Blue Crude plant

Sr. No.	Description	Name of Supplier	Quotation No. / Date
1	Glasslined Vessel	GMM Pfadler	03.05.06
2	Ammonium Carbamat Storage Tank	Suyog Engg. & Fab.	SEF-002/ASCL/06-07 19.05.2006
3	Hot water service tank	Suyog Engg. & Fab.	SEF-002/ASCL/06-07 19.05.2006
4	Rotary Vaccum Dryer	Chemfilt	2006050033 16.05.2006
5	Spin flash dryer	Chemfilt	2006050032 16.05.2006
6	Filter press	Dinshaw Filtration	DF/11426.05.2006
7	Solvent Receiving Tank	Suyog Engg. & Fab.	SEF-001/ASCL/19 May 06 19.05.2006
8	Solvent Heating Vessel	Suyog Engg. & Fab.	SEF-001/ASCL/19 May 06 19.05.2006
9	Acid/Alkali measuring tank	Suyog Engg. & Fab.	SEF-001/ASCL/19 May 06 19.05.2006
10	Caustic Storage tank	Suyog Engg. & Fab.	SEF-001/ASCL/19 May 06 19.05.2006
11	Treatment Vessel	Chem Engg. Consultants	25.05.2006
12	Traps	Chem Engg. Consultants	25.05.2006
13	Vaccum Receiver	Chem Engg. Consultants	25.05.2006
14	Heat Exchanger	Chem Engg. Consultants	25.05.2006
15	Air compressor	Global Airtech Systems	GAS/QTN/0123/2006 05.05.2006
16	RO/DM Plant	Tech Aid	TA/TH/0151/06-07 09.05.2006
17	Pumps	Harsh Enterprises	HE/SMPS/2004/020 20.04.2004

Sr. No.	Description	Name of Supplier	Quotation No. / Date
18	Pumps for scrubbing system	Harsh Enterprises	HE/SMPS/2004/020 20.04.2004
19	Magnetic trap	Jaykrishna Magnetics	JMPL/2006-2007/203 06.05.2006
20	Blower	Jet Fibre Pumps	Jet/Quot/29/06/-07 30.05.2006
21	Cooling tower pump	Rushabh Enterprises	RE/ASCL/1505 15.05.2006
22	Cooling tower	Tekni Engg.	EST/7333 16.05.2006
23	Graphite Heat Exchanger	Graphicarb Products	KUS/ASW/05/2K6 26.05.2006
24	Reflux Condensor	Mech Metal Corporation	24.02.2004
25	Boiler	Fluidtech Boilers	FBPL/QOT-009/2006-07 08.05.2006
26	Ruptur Disc	Fike India Pvt. Ltd.	FIPL/1805/PJ/0506 08.05.2006
27	PP Pumps	Harsh Enterprises	HE/Qtn/2006/045 16.05.2006
28	DG Set	Supernova Engineers Ltd.	SEL/HO/GUJ/RS/06-07/071 06.05.2006
29	Belt Conveyor for Filter press	Chirag Engg. Corporation	CEC:2006:071 /06.05.2006
30	Columns	Chem Engg. Consultants	CEC/00062/2006-2007 03.06.2006
31	Filter Press	Sachin Filtech	SFPL/20/132P/06-2007 08.05.2006
32	Circulations Tanks	Albaj Engg. Corporation	AEC/ASCL/849/1372-F 07.06.2006
33	Decanters	Albaj Engg. Corporation	AEC/ASCL/849/1372-F 07.06.2006
34	Secondary Holding Tanks	Albaj Engg. Corporation	AEC/ASCL/849/1372-F 07.06.2006
35	Heat Excjangers	Chem Engg. Consultants	CEC/00064/2006-2007 03.06.2006
36	Fixed type Aerator	Enviorn Engg. Company	EEC/0605/2006/01 06.05.2006
37	Thermic Fluid Heater	Isotex Corporation	IC/QTN/1260/06 22.05.2006
38	Simplex Crane	Simplex Cranes	SC/027/2006-07 22.05.2006
39	Fork Lift	Voltas Ltd.	MHBD/E/5000/0540A 02.06.2006
40	Agitator for Neutraliser	GMM Pfaudler	045:044A:GMM:06-07 13.05.2006

II. Setting up of capacity for pigment beta blue

Sr. No.	Description	Name of Supplier	Quotation No. / Date
1	Vibration Mill for Pigment Pulverization	Sanya Tsusho Co. Ltd.	Tokyo, H-180406 06.04.2006
2	Thermic Fluid Heater	Isotex Corporation	IC/QTN/1260-A 22.05.2006
3	Ball Mill	Chemfilt	2006050027 11.05.2006
4	Acidic transfer pump	Harsh Enterprises	HE/Qtn/2006/045 04.05.2006
5	RO/DM Water Plant	Tech Aid	TA/TH/0151/06-07 09.05.2006
6	Acid Treatment Vessel	Chem Engg. Consultants	25.05.2006
7	Solvent storage tank	Suyog Engg. & Fab.	SEF-001/ASCL 19.05.2006
8	H2SO4 day tank	Suyog Engg. & Fab.	SEF-001/ASCL 19.05.2006
9	Solvent day tank	Suyog Engg. & Fab.	SEF-001/ASCL 19.05.2006
10	Cooling tower water pump	Rushabh Enterprises	RE/ASCL/150515.05.2006
11	Spin Flash Dryer	Chemfilt	2006050032, 16.05.2006
12	DG Set	Supernova Engineers Ltd.	SEL/HO/GUJ/RS/06-07/071,06.05.2006
13	Belt Conveyor for Filter press	Chirag Engg. Corporation	CEC:2006:071 06.05.2006
14	Fixed type Aerator	Enviorn Engg. Company	EEC/0605/2006/01 06.05.2006
15	Filter Press	Sachin Filtech	SFPL/20/132P/06-2007 / 08.05.2006
16	Air Compressor	Global Airtech Systems	GAS/QTN/0123/200605.05.2006

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III. Setting up of Power plant

Sr. No.	Description	Name of Supplier	Quotation No. / Date
1	Turbo Generating Set	Triveni Engg & Ind. Ltd.	WEQM050301919.03.2005
2	Boiler House with Accessories	Cethar Vessels (P) Ltd.	Ra-B.No/00125.05.2006

4. Equipment for R&D center

Our company also proposes to strengthen the research & development activities. For the purpose the following equipments estimated to the cost of Rs. 4.0 millions will be acquired from various sources.

S. No.	Particulars	Quotation No. / Date
1	Spectrophotometer - Type – 2201	508400/16/11/06
2	PC Pentium 933 MHz/128 MB / RMM /40GB HDD / VGA Monitor	508400/16/11/06
3	Automated Gas Chromatograph Type - 8606.	508400/16/11/06
4	Atomic Absorption spectrophotometer Type AL-1200-DB	508400/16/11/06
5	Accessories for AAS Hollow cathod rays	508400/16/11/06
6	Graphite Furnace System	508400/16/11/06
7	Systronics pH System type 361	508400/16/11/06

Source: Company estimates

5. Misc. Fixed Assets

We propose to acquire various miscellaneous fixed assets estimated to cost Rs. 15.30 millions for the proposed projects as under:

S. No.	Particulars	S. No.	Particulars
A.	Cars	C.	Communications
1	Honda Cars	1	Telephones
2	Tata Spacio	2	EPBX
3	Wagon - R	3	Xerox Machine
4	Maruti-800	4	Laptop
		5	Computers
		6	Cables & Fixtures
		7	Control Panel
		8	Misc items.
B.	Furniture & Fixtures	D.	Miscellaneous Assets
1	Tables - Godrej make	1	Commercial Vehicles
2	Chairs - Godrej Make	2	Stacker for Lifting/Shifting
3	Fans - Orient	3	Pole Fittings
4	Air Conditioner - Split Type	4	Paintings
5	Window Air Conditioner	5	Refrigerators
6	Energy Efficient tube lights	6	Ovens/Gas Cylinders
7	Almirah - Godrej Make	7	Kitchenwares
8	Fixtures		
9	Revolving Chairs		

Source: Company estimates

5. Preliminary & Pre Operative Expenses

Preliminary and pre-operative expenses estimated as per TEV report is as under:

(Rs. in millions)

A. Preliminary Expenses	
Issue Expenses	28.0
B. Pre-Operative Expenses	
Rent, Rates & Taxes	0.5
Techno-economic viability study	0.1
Insurance during construction	2.0
Mortgage/Commitment charges	1.6
Architect's Fees	0.2
Travelling expenses, Drawings, Designs, Erection, etc	0.5
Start-up and Trial run expenses (Phase II + Phase III)	7.5
Total	40.4

6. Contingency

In the total cost of the project of Rs. 520.0 millions, the capital expenditure of about Rs. 200.0 millions is a non-firm cost. The contingency provision at 2% on such non-firm cost has been provided in the cost of the project, which works out to Rs. 4.0 millions.

7. Margin Money for Working Capital

Our company would require additional margin money of Rs. 131.5 millions on the completion of the proposed projects as per the working given below:

Rs. in millions

Particulars	Margin	Stock in		2006-07		2007-08
	%	Months	Req.	Bank fin.	Req.	Bank fin.
Current Assets:						
Raw Materials - Imported	25	2.00				
- Indigenous	25	1.50	63.7	47.8	143.5	107.6
Spares	25	6.00	3.9	2.9	7.5	5.6
Work-in-process.	40	0.12	5.8	3.5	12.7	7.6
Finished Goods	25	3.00	127.9	95.9	278.9	209.1
Receivables			110.0	0.0	246.0	0.0
a) Book Debts (Domestic)	50	1.00	0.0	0.0	0.0	0.0
b) Bills discounting (Export)		2.00	110.0	110.0	246.0	246.0
Expenses	100	1.00	5.6	0.0	9.4	0.0
Margin for Non-Fund Limit @20%	100		8.0	0.0	9.5	0.0
Total (a)			324.9	260.1	707.5	576.0
Less: Current Liabilities:			0.0	0.0	0.0	0.0
Creditors	25	1.00	43.1	43.1	96.9	96.9
Total (b)			43.1	43.1	96.9	96.9
Working capital (a-b)			281.8		610.6	
Bank finance (a-b)				217.0		479.1
Margin money (c-d)				64.8		131.5

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● Issue Related Expenses

The expenses of the Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement and listing fees. The total expenses for this Issue are as estimated to be approximately Rs. [●] millions which is [●]% of the issue size. However, in the TEV report, the appraising agency has provided Rs.28 million towards issue related expenses, The break up of issue related expenses at this juncture cannot be estimated.

All the issue related expenses shall be made out of the proceeds of the issue and break up of the same is as follows:

Sr. No.	Particulars of Expenses	Amount Rs. in millions	%
1	Issue Management Fees (Inclusive of Underwriting)	[●]	[●]
2	Registrars Fee and Postage / Other Charges	[●]	[●]
3	Stock Exchange Charges	[●]	[●]
4	Legal Fee	[●]	[●]
5	Advertisement and Publicity	[●]	[●]
6	Printing of Prospectus, Application Forms and Distribution	[●]	[●]
7	Brokerage for Distribution	[●]	[●]
8	Miscellaneous Expenses/ Contingencies	[●]	[●]
	Total Amount / Issue Expenses (as % of Amount to be raised)	[●]	[●]

● Present and Proposed Capacity

After implementing the proposed projects, our installed capacity would be as under:

Facility	Present annual capacity	Expansion of annual capacity through the proposed Project	Total expected annual capacity post expansion
Pigment Green – 7 at Kadi, Mehsana	1080 TPA	–	1080 TPA
CPC Blue Crude at Padra, Vadodara	3600 TPA	7200 TPA	10800 TPA
Pigment Beta Blue at Padra, Vadodara	–	1200 TPA	1200 TPA
Captive Power at Padra, Vadodara	–	2 MW	2 MW

● Proposed schedule of implementation – Time wise

Our company proposes to implement the expansion project by March 31, 2008. Our company has already incurred an expenditure of Rs. 17.32 millions as on April 10, 2007 on the projects which has been financed by internal accruals and unpaid creditors.

The time wise and activity wise schedule of implementation is given as under:

S.No.	Activity	Commencement	Completion
A.	Land & Land Development		
	CPC Blue Crude	Dec-06	Dec-06
	Pigment Beta Blue	Dec-06	Jan-07
	Captive Power Plant	Feb-07	Mar-07
B.	Buildings		
	CPC Blue Crude	Jan-07	Jun-07
	Pigment Beta Blue	Feb-07	Jul-07
	Captive Power Plant	Mar-07	Aug-07

S.No.	Activity	Commencement	Completion
C.	Plant & Machinery Delivery		
	CPC Blue Crude	Mar-07	Jun-07
	Pigment Beta Blue	Apr-07	Aug-07
	Captive Power Plant	Jul-07	Nov-07
D.	Plant & Machinery Erection		
	CPC Blue Crude	Jun-07	Aug-07
	Pigment Beta Blue	May-07	Oct-07
	Captive Power Plant	Dec-07	Feb-08
E.	Trial Production		
	CPC Blue Crude	Sep-07	Sep-07
	Pigment Beta Blue	Oct-07	Oct-07
	Captive Power Plant	Feb-08	Feb-08
F.	Commercial Production		
	CPC Blue Crude	Sep-07	Sep-07
	Pigment Beta Blue	Nov-07	Nov-07
	Captive Power Plant	Mar-08	Mar-08

• **Proposed schedule of implementation –**

Rs. in Millions

S. No.	Particulars	From 1st Dec-06 to 31-Mar-07	From 1st Apr-07 to 30th Sept-07	From 1st Oct-07 to 31 st March-08	Total
1	Land & Land Development - CPC Blue Crude - Pigment Beta Blue - Captive Power Plant	0.50 – –	– 1.00 –	– – –	0.50 1.00 –
2	Buildings & Civil Work - CPC Blue Crude - Pigment Beta Blue - Captive Power Plant	10.00 – –	37.00 8.90 4.50	– – –	47.00 8.90 4.50
3	Plant & Machinery - CPC Blue Crude - Pigment Beta Blue - Captive Power Plant	20.00 – –	108.30 40.00 40.00	– 14.60 40.00	128.30 54.60 80.00
4	R&D Centre *	–	2.0	2.0	4.0
5	Misc.Fixed Asset *	5.0	7.2	3.1	15.3
6	P and P Expenses *	28.0	10.0	2.4	40.4
7	Contingency *	–	–	4.0	4.0
8	WC Margin *	–	25.10	106.4	131.5
9	Grand Total:	103.5	205.7	210.8	520.0

* - Common for all 3 projects

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• Funds Deployed

As per the certificate dated April 10, 2007 of M/s Trushit Chokshi and Associates, Chartered Accountants we have deployed Rs. 17.32 millions till April 10, 2007. The same has been financed from internal accruals.

		CPC Blue Crude Capacity Expansion	Pigment Beta Blue	2MW Power Project	Total
1	Land and Land Development				
2	Buildings				
3	Plant & Machinery				
	Process Equipments	4.10			4.10
	Pipes & Pipe fittings				
	Erection/Piping/Paints				
	Insulation				
	Electrical cables/Panel boards/Motors				
	Instrumentation				
4	R&D Centre (Equips.)				0.43
5	Misc. Fixed Assets				
6	P&P expenses incl. Issue expenses				12.40
7	Contingency @ 2%				
8	Working Capital Margin				
	Total				17.32

The details of the proceeds of the issue are summarized in the table below:

(Rs. in millions)

Gross proceeds of the Issue	440
Issue related expenses	[●]
Net proceeds of the Issue	[●]

• Interim Use of Proceeds

Pending utilization for the purposes described above, the company intends to invest the funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks, for the necessary duration or for reducing overdraft.

• Monitoring of Utilisation of Funds

As the issue size is less than Rs. 5000 millions, there is no requirement for appointment of monitoring agency as per clause 8.17.1 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

We will disclose the utilization of the proceeds of the issue under separate head in our balance sheet for FY 2006-07 and FY 2007-08 clearly specifying the purpose for which such proceeds have been utilized or otherwise disclosed in accordance with the disclosure requirements of listing agreement with the stock exchange. We shall also in our balance sheet for the FY 2006-07 and FY 2007-08, provide details, if any, and disclose in accordance with the disclosure requirements of listing agreement in relation to all such proceeds of the issue that have not been utilized thereby also indicating investment, if any, of such unutilized proceeds of the issue.

BASIS FOR ISSUE PRICE

The Equity shares being offered are subject to the provision of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, the terms of this Prospectus and other terms and conditions as may be incorporated in the allotment advice and other documents / certificates that may be executed in respect of the issue. The Equity shares shall also be subjected to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, RBI, ROC and/or other authorities as in force on the date of issue and to the extent applicable.

BASIS FOR ISSUE PRICE

Investors should read the following along with the Risk Factors on page no. ix and the details about the Company and its financial statements included in this Prospectus. The trading price of the Equity shares of the Company could decline due to these risks and the investors may lose all or part of their investments.

QUALITATIVE FACTORS

- While Company's Padra, Vadodara unit is 100% EOU, Kadi, Mehsana unit though not 100% EOU still makes about 100% exports of its products.
- Profit making company since last 10 years.
- Company has received ISO 14001:2004 certification from Intal Quality Cetification Pvt. Ltd. In respect of quality standards for both its units situated at Padra, Vadodara and Kadi, Mehsana.
- Technology and technological support from Clariant Pigments (Korea) Limited.
- Equity Stake in the company by two of the leading global players in the industry viz., Clariant Pigment (Korea) Limited and DIC, Japan
- Supply Agreement and the Toll Manufacturing Agreement with DIC, Japan and for CPC Blue Crude products
- Long term association with key international customers based on product quality and technology.
- Access to effluent channel at Vadodara unit leading to low environment damage and lower environment management costs.
- Established product quality and the product acceptance from major international customers
- ASCL has qualified and trained technical staff with exposure to international technology and best practices.
- ASCL proposes to set up captive power plant to reduce the dependability on grid power and also cost of power.

For further details of aforesaid qualitative factors investors should see "Our Business" on page 51 of the RHP

QUANTITATIVE FACTORS

1. Adjusted earnings per share (EPS) weighted

Year ended	EPS (Rs.)	Weight
March 31, 2004	2.71	1
March 31, 2005	3.11	2
March 31, 2006	6.89	3
Weighted Average	4.93	

Note: EPS for the nine months ended **December 31, 2006 is Rs 9.67** and EPS on annualized basis for the nine months ended **December 31, 2006 is Rs. 12.89.**

2. Price Earnings ratio (P/E ratio) in relation to the Issue Price of Rs. [●] per share

Particulars	
Based on March 31, 2006 EPS	[●]
Based on December 31, 2006 EPS (annualized)	[●]
Based on weighted average EPS	[●]

ASAHI SONGWON COLORS LIMITED

Based on the adjusted EPS of Rs. 6.89 for the FY March 31, 2006, the Issue Price at the lower price band of Rs. 90, answers to a P/E multiple of 13.06 and at higher price band of Rs. 108, it answers to a P/E multiple of 15.67.

Based on the annualised EPS of Rs. 12.89 for the nine months ended December 31, 2006, the Issue Price at the lower price band of Rs. 90, answers to a P/E multiple of 6.98 and at higher price band of Rs. 108, it answers to a P/E multiple of 8.38.

Industry P/E

Particulars	P/E
Highest	
• Dynamic Industries Limited	38.6
Lowest	
• Indokem Limited	5.8
Average	11.77

Source: Capital Market Volume XXII/03, dated Apr09 – Apr22, 2007; Category: Dyes & Pigments

3. Average Return on Net worth (RoNW)

Year ended	RoNW	Weight
March 31, 2004	12.85%	1
March 31, 2005	13.69%	2
March 31, 2006	25.85%	3
Weighted Average	19.63 %	

The average return on network as on **December 31,2006 was 44%**

4. Minimum return on total Net worth after issue needed to maintain pre-issue EPS of Rs. [●] is [●] % (at an issue price of Rs. [●] per share)

5. Net Asset Value (NAV) per share (Rs.)

NAV as at March 31, 2006	Rs. 26.70 per Equity Share
NAV as at December 31, 2006	Rs. 25.94 per Equity Share
NAV after the Issue	Rs. [●] per Equity Share
Issue Price	Rs. [●] per Equity Share

6. Comparison with other listed companies

Company	FV (Rs.)	EPS (Rs.)	P/E as on 02/04/2007	RoNW (%)	NAV (Rs.)	Sales (Rs. in millions)
Asahi Songwon Colours Limited *	10	9.67	N.A.	44.00	25.94	529.92
Atul Limited	10	11.90	7.60	16.00	89.20	8172.00
Dynamic Industries Limited	10	2.50	38.60	7.70	34.20	524.00
Dynemic Products Limited	10	2.00	7.20	14.20	22.30	287.00
Indokem Limited	10	0.60	5.80	2.80	19.40	355.00
Metrochem Industries Limited	10	3.40	7.60	5.00	74.40	1716.00
Sadhana Nitro Chem Limited	10	5.10	6.20	8.80	100.20	548.00
Shreyas Intermediates Limited	10	3.3	13.80	24.70	15.10	618.00
Sudharshan Chemical Industries Limited	10	14.10	12.50	10.70	142.50	3933.00
Ultramarine & Pigments Limited	2	5.0	6.60	20.40	20.40	632.00

Source: Capital Market Volume XXII/03, dated Apr09 – Apr22, 2007; Category: Dyes & Pigments

Note: Although the above companies are not exactly comparable, the key ratios of the companies who are into dyes and pigments industry amongst other business activities.

7. The face value of Equity shares of ASCL is Rs. 10/- and the issue price is [●] time of face value

The BRLM believes that the issue price of Rs. [●] is justified in view of the above Qualitative and Quantitative parameters. The investors may want to persue the risk factors and financial of the company including important profitability and revenue ratios, as set out in the Auditors reports in this prospectus to have more informed view of the investment proposition.

STATEMENT OF TAX BENEFITS

November 21, 2006

**To
The Board of Directors,
Asahi Songwon Colors Limited
“Asahi House”
Chhatral Kadi Road,
Indrad-382 721.
Mehsana
India.**

Dear Sir/s,

As per the present provisions Income tax act, 1961 (hereinafter referred to as “the Act”) and other laws as applicable for the time being in force in India, the following tax benefits are available to the company and to the shareholders of the company Subject to fulfillment of prescribed conditions.

TAX BENEFITS

1. BENEFITS TO THE COMPANY UNDER THE INCOME TAX ACT, 1961:

The Company will be entitled to deduction under the sections mentioned hereunder from its total income chargeable to Income Tax.

1.1 Exemption under section 10B

The CPC Blue Division of the company registered under Export Oriented Units (EOU) is eligible for deduction under section 10B, whereby the income of such undertakings earned out of exports is eligible for Tax holiday for 10 years from the year in which undertaking begins manufacturing or up to Income-tax Assessment year 2009-2010, whichever is earlier subject to compliance of certain conditions

1.2 Exemption under section 10(23G)

In accordance with and subject to the provisions of section 10(23G) of the Act, the Company will be eligible to claim exemption on any income by way of dividends (other than dividends referred to in section 115-O), interest or long-term capital gains from investments made by way of shares or long-term finance in any enterprises or undertaking wholly engaged in the business referred to in sub section (4) of section 80IA and which have been approved by the Central Government. However, the income, by way of dividends, other than the dividends referred to in section 115-O, interest or long-term capital gains of an infrastructure capital company, shall be taken into account in computing the book profit and income-tax payable under section 115JB.

1.3 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by domestic companies are exempt in the hands of the Company as per the provisions of Section 10(34) of the Act.

1.4 Dividends exempt under Section 10(35)

The Company will be eligible for exemption of dividend income in accordance with and subject to the provisions of Section 10(35) of the Act.

1.5 Computation of capital gains

1.5.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.

1.5.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index as prescribed from time to time.

1.5.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

1.5.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to Securities Transaction tax ("STT") shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

1.5.5 Exemption of capital gain from income tax

- According to section 10(38) of the Act, long-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to STT shall be exempt from tax.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

1.6 Other specified deductions

Subject to fulfillment of conditions, the Company will be eligible, *inter alia*, for the following specified deductions in computing its business income:-

1.6.1 Section 35(1)(i) and (iv) of the Income Tax Act, 1961 in respect of any revenue or capital expenditure incurred, other than expenditure on the acquisition of any land, on scientific research related to the business of the Company.

1.6.2 Section 35 (1) (ii) and (iii) of the Income Tax Act, 1961 in respect of any sum paid to a Scientific Research Association which has as its object, the undertaking of scientific research or to any approved university, college or other institution to be used for scientific research or for research in social sciences or Statistical Research to the extent of a sum equal to one and one fourth times the sum so paid.

1.6.3 Subject to compliance with certain conditions laid down in Section 32 to the Income Tax Act, 1961 the company will be entitled to deduction for depreciation:

- In respect of tangible assets and intangible assets in the nature of know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998 at the rates prescribed under the Income Tax Rules;
- In respect of machinery or plant which has been acquired and installed after 31st March 2005 for the purpose of new industrial undertaking or in respect of the existing manufacturing facilities a further sum of 20% of the actual cost of such machinery or plant as additional depreciation in the year in which the new plant and machinery is first put to use.

1.6.4 Under Section 115 JAA (1A) of the Act, tax credit shall be allowed of any tax paid (MAT) Under Section 115 JB of the Act. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set off beyond 7 years succeeding the year in which MAT becomes allowable.

2. Benefits available to resident shareholders

2.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

2.2 Computation of capital gains

2.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets

if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.

2.2.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

2.2.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

2.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

2.2.5 *Exemption of capital gain from income tax*

- According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the amount of income tax with reference to such cost shall not be allowed under section 88 nor shall a deduction be allowed from the income under section 80C of the Act.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

2.3 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head “Profits and gains of business or profession” arising from purchase or sale of an equity share in a company entered into in a recognised stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

3. Benefits available to Non-Resident Indian shareholders (Other than FIIs and Foreign venture capital investors)

3.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

3.2 Computation of capital gains

- 3.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.
- 3.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company’s shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.
- 3.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost. According to the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).
- 3.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).
- 3.2.5 *Options available under the Act: Where shares have been subscribed to in convertible foreign exchange – Option of taxation under Chapter XII-A of the Act:*

Non-Resident Indians [as defined in Section 115C(e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which *inter alia* entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:

- According to the provisions of section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company’s shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.
- According to the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset. If part of such net consideration is invested within the prescribed period of six months in any specified asset then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the specified asset in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
- As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
- Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

- As per the provisions of Section 115-I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

3.2.6 Exemption of capital gain from income tax

- According to section 10(38) of the Act, long-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be exempt from tax.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the amount of income tax with reference to such cost shall not be allowed under section 88 nor shall a deduction be allowed from the income under section 80C of the Act.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

3.3 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head “Profits and gains of business or profession” arising from purchase or sale of an equity share in a company entered into in a recognised stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

4. Benefits available to other Non-residents (Other than FIIs and foreign venture capital investors)

4.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

4.2 Computation of capital gains

4.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.

4.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company’s shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

4.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost.

As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting

on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

4.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

4.2.5 *Exemption of capital gain from income tax*

- According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising to the assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the amount of income tax with reference to such cost shall not be allowed under section 88 nor shall a deduction be allowed from the income under section 80C of the Act.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

4.3 **Rebate under section 88E**

Section 88E provides that where the total income of a person includes income chargeable under the head “Profits and gains of business or profession” arising from purchase or sale of an equity share in a company entered into in a recognised stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

5. **Benefits available to Foreign Institutional Investors (‘FIIs’)**

5.1 **Dividends exempt under section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of section 10(34) of the Act.

5.2 **Taxability of capital gains**

5.2.1 According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.

5.2.2 The income by way of short term capital gains or long term capital gains [in cases not covered under section 10(38) of the Act] realized by FIIs on sale of shares of the company would be taxed at the following rates as per section 115 AD of the Income Tax Act, 1961

- Short term capital gains, other than those referred to under section 111A of the Income Tax Act, 1961 shall be taxed at a rate of 30% (plus applicable surcharge & education cess).
- Short term capital gains, referred to under section 111A of the Income Tax Act, 1961 shall be taxed at a rate of 10% (plus applicable surcharge & education cess).
- Long term capital gains- 10% (plus applicable surcharge & education cess) (without cost indexation) It may be noted here that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not applicable.

5.2.3 According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising to the assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the amount of income tax with reference to such cost shall not be allowed under section 88 nor shall a deduction be allowed from the income under section 80C of the Act.

5.4 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognised stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

6. Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

7. Venture Capital Companies / Funds

In terms of section 10(23FB) of the Income Tax Act, 1961 all Venture capital companies/funds registered with Securities and Exchange of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including dividend from and income from sale of shares of the Company.

8. Tax Treaty benefits

An investor has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

9. Benefits available under the Wealth-tax Act, 1957

Shares of company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957, hence no Wealth Tax will be payable on the market value of shares of the Company held by the shareholder of the company.

Notes:

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2006.
2. The stated benefits will be available only to the sole / first named holder in case the shares are held by joint holders.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the issue.

For, Trushit Chokshi & Associates
Chartered Accountants

Sd/-

Trushit Chokshi
(Proprietor)

SECTION IV: ABOUT US

INDUSTRY OVERVIEW

The information in this section is derived from various government and other public sources along with company estimates and TEV report of TEAM Projects and Consultants. The industry sources cited herein include the websites of Ministry of Chemicals, Chemexcil, etc. Neither we nor any other person connected with the Issue has verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources and publications generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assumed and accordingly investment decisions should not be based on such information.

a. Overview

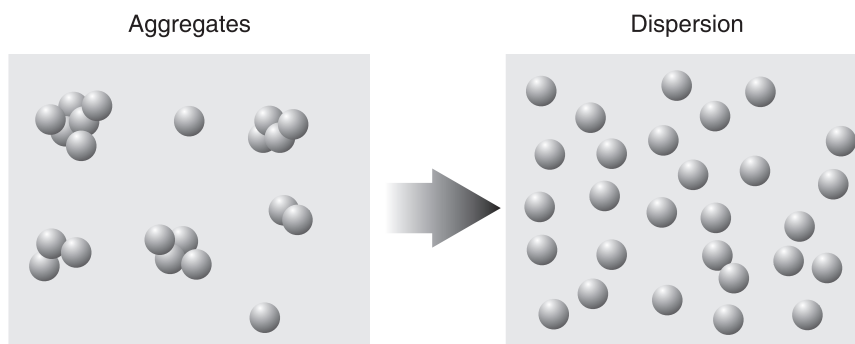
Dyes, Pigments and intermediates are one of the most important industrial chemicals, having applications in various products of industries like textiles, plastics, paints, paper and printing inks. They are colouring agents that impart colour to substrate (any material or solution).

Pigments and Dyes are coloured substances. Pigments are solid and do not dissolve. For instance, copper phthalocyanine blue is the primary blue colorant and is quite insoluble in water and organic solvents. Pigments are distinct particles that are practically insoluble in the medium in which they are dispersed and provide color and opacity to any medium on being dispersed.

Dyes dissolve in water and other liquids. These are organic colorants that are soluble which provide brilliant color with some degree of permanence and are used in products that do not require long-term resistance. Dyes are commonly used in the textile industry and in various other applications.

b. Pigments

Pigments are organic or inorganic, colored, white or black materials that are practically insoluble in the medium in which they are dispersed.



The smallest units of pigments are called primary particles. The structure and shape of these particles depends on the crystallinity of the pigment. During the pigment production process, primary particles generally aggregate to generate larger group particles termed as agglomerates. The agglomerates require a high degree of force to break down, thus increasing the resistance to dissolve in solvents and consequentially fastness of the pigment.

In addition, depending on the demands of the particular application, pigments are required to be resistant to light, weathering, heat and chemicals such as acids and alkalis.

The major characteristics of pigments are as follows:

- **Color**

The color of a pigment is mainly dependent on its chemical structure. Hue is determined by the selective absorption and reflection of various wavelengths of light at the surface of the pigment.

Colored pigments absorb part of all the wavelengths of light. For example, a blue pigment reflects the blue wavelengths of the incident white light and absorbs all of the other wavelengths. Black pigments absorb almost all the light, whereas white pigments reflect virtually all the visible light falling on their surfaces.

- **Heat Resistance**

Few pigments degrade at temperatures normally associated with coatings. However, at higher temperatures, pigments become more soluble and shading can occur. Thus, for organic pigments, heat stability is closely related to solvent resistance.

Modifications may occur in the crystal structure of pigments when subjected to higher temperatures. Pigments with a highly crystalline structure are usually more heat resistant. Also, the different crystal modifications may respond differently to heat. Typically, inorganic pigments have enhanced heat stability.

- **Light Fastness**

Light fastness is evaluated in relation to the whole pigmented system, not just the pigment. The binder imparts a varying degree of protection to the pigment, so the same pigment will tend to have better light fastness in a polymer than it will in paint.

A Pigment's ability to resist light is influenced considerably by chemical constitution. Other less significant influences are pigment concentration, the crystal modification, and particle size distribution. Additionally, factors in the environment can dramatically affect results, such as the presence of water and chemicals in the atmosphere or in the paint system.

Thus, the light fastness of a pigmented system is correctly ascertained in the final formulation and application.

- **Weather Stability**

For outdoor applications, pigments used for coloring are selected for their weather resistance characteristics. Closely related to light fastness, weatherability adds the extra dimension of atmospheric conditions (including salt from the sea, waste gases from industrial areas, or very low humidity from desert conditions).

- **Insolubility**

A pigment must be insoluble in the medium in which it is dispersed, and must not react with any of the components.

Under certain conditions, pigments may dissolve, leading to application problems. Organic pigments may dissolve to a limited extent in organic solvents, and inorganic pigments may be affected by other components. Solubility of a pigment generates the problems such as :

Blooming - If the pigment dissolves in the solvent, as the paint (medium) dries, the solvent comes to the surface and evaporates, leaving crystals of the pigment on the surface in the form of a fine powder.

Plate out - The effect of plate out looks similar to blooming, but occurs in plastics and powder coatings.

Bleeding - Pigments in a dried paint film may dissolve in the solvent contained in a new coat of paint applied on top of the original film and hence may discolor the coating.

Re-crystallization - During the milling stage in production of pigment, heat is generated, which dissolves a portion of the pigment. Over a period of time, the dissolved "pigment" starts to precipitate out, losing brilliance and color strength. This becomes especially noticeable in the case of paints containing two differently colored pigments that have different solubility characteristics.

- **Opacity**

Opacity is the hiding power or the ability of a pigmented coating to obliterate the surface. It is dependent on the ability of the film to absorb and scatter light. Dark, saturated colors, such as blacks and deep blues, absorb most light falling upon them, whereas yellows do not. However, carbon black and most organic blue pigments are fairly transparent because they do not scatter the light that falls on them.

A key factor in the opacity of a pigment is its refractive index (RI), which measures the ability of a substance to bend light.

- **Transparency**

Usually, transparency is obtained by reducing pigment particle size as possible. This is achieved by surrounding the particles as soon as they are formed with a coating, which prevents the growth of crystals. The most common products used for this coating are rosin or rosin derivatives. This is particularly useful for printing ink pigments that are required to have high transparency and it has the added advantage that such pigments are more easily dispersed.

The dispersion process can influence transparency, as it involves breaking up agglomerates of particles to individual primary particles. However, primary particles are not split up by the dispersion process.

- **Chemical Stability**

Resin, cross linking agents, UV-initiators, and any other additive may react with the pigment and alter its performance.

Another adverse effect can come from chemicals that the coating comes into contact with them. Water, in the form of condensation, can seriously affect a paint film, particularly in bathrooms and kitchens.

c. Classification of Pigments

Pigments can be broadly divided on the basis of their chemical composition into organic and inorganic pigments. The organic pigments are mainly petro-based products and complex hydrocarbons whereas; the inorganic pigments are salts or oxides of different metals.

The properties that have traditionally been associated with inorganic and organic pigments are summarized in the table below:

Pigment properties	Inorganics	Organics	
		<i>Classical</i>	<i>with High Performances</i>
Color, Purity	Often dull	Usually bright	
Opacity	High	More or less transparent	
Color strength	Middle to Low	Normally High	
Light Fastness (Blue scale)	Good to High(7-8)	Low to Middle(< 7)	Good to High (7-8)
Weather Resistance	Varies (depending on chemistry)	Insufficient	Middle to High
Heat resistance	In general > 500 °C Rarely < 200 °C	150 to 220 °C	200 to 300 °C
Fastness to solvents - Bleed resistance	High	Middle to Good	Good to High
Resistance to chemicals	Varies (depending on chemistry)	High (except for salts)	High

- **Types of Pigments**

Pigments are broadly classified based on their color. The major types of pigments are as follows:

- White
- Black
- Brown
- Yellow
- Green
- Orange
- Red
- Violet
- Blue

Our Company is presently engaged in manufacture of Blue and Green pigments, more specifically CPC Blue Crude and Pigment Green.

1. Blue pigments

The blue pigments are classified as

- Inorganic Blue Pigments – e.g. Prussian Blue, Ultramarine, Cobalt Blue
- Organic Blue Pigments – Copper Phthalocyanine (CPC), Indanthrone

The blue pigment range is dominated by one chemical type - Phthalocyanine. Other blue pigments include Indanthrone, which is used for particular high quality applications, and Ultramarine and Prussian blue are inorganic pigments which are occasionally used.

Copper Phthalocyanine

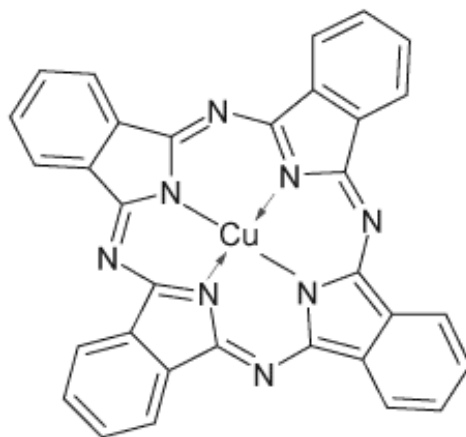
- **Structure**

Phthalocyanine pigments are metallic complexes. There are 5 polymorphic crystal forms:

- Alpha Phthalocyanine (red-blue shade)
- Beta Phthalocyanine (green-blue shade)
- Gamma Phthalocyanine
- Delta Phthalocyanine
- Epsilon Phthalocyanine (red shade)

Only alpha and beta phthalocyanine are commercialized.

Under heat, alpha phthalocyanine can change the shade to beta phthalocyanine. Alpha phthalocyanine has to be stabilized.



Copper phthalocyanine structure

- **Properties**

The phthalocyanine molecule was discovered in 1928; commercial grades were introduced around 1940. The key characteristics of copper phthalocyanine are as follows:

Color strength	- High
Solvent resistance	- Good – Excellent
Heat Stability	- Excellent - 300°C
Light fastness & Weatherability	- Very good

Phthalocyanine pigments possess small primary particles that have a tendency to flocculate (because of a low surface energy), creating a loss of color strength. Grades that have stability to flocculation have been prepared by coating the particles with products that will prevent re-aggregation. These products can be sulphonated phthalocyanine, aluminum benzoate, acidic resins, chloromethyl derivatives of phthalocyanine, or long chain amine derivatives of sulphonated phthalocyanine. Despite being far more expensive than untreated grades, stabilized phthalocyanine often display a heightened purity of shade, better gloss, and easier dispersibility.

- **Uses**

Copper phthalocyanine pigments are relatively transparent and can be used in solid, reduced, and metallic automotive coatings, inks, plastics, leather, etc.

2. Green pigments

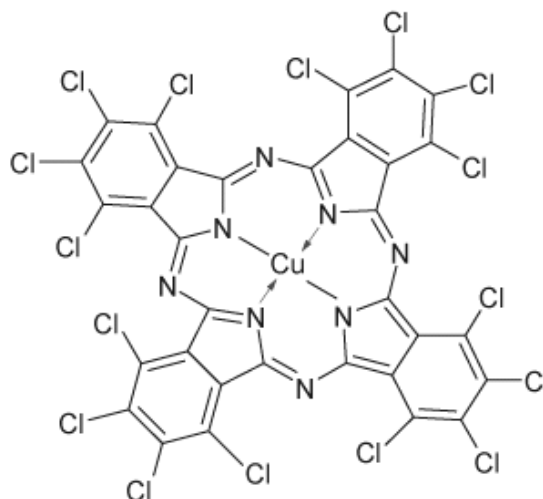
Green Pigments are classified as under:

- Inorganic Green Pigments - Chrome Green, Chromium Oxide Green, Hydrated Chromium Oxide
- Organic Green Pigments - Phthalocyanine Green

Copper phthalocyanine pigments dominate the green spectrum. In practice, the common method for attaining green is by mixing yellows and blues, with the desired brightness and economics being the two main factors which determine the best approach. Inorganic pigments play a comparatively insignificant role. Hence, CPC Blue Crude acts as the major raw material for manufacture of Pigment Green.

Phthalocyanine Green

- **Structure**



Phthalocyanine green structure - Pigment Green 7

- **Properties**

The degree and type of halogenations determine the color range of phthalocyanine green. The key characteristics of phthalocyanine green are as follows:

Color strength	- Very good
Solvent resistance	- Excellent
Chemical stability	- Excellent
Heat Stability	- Good
Light fastness & Weatherability	- Excellent

- **Uses**

Phthalocyanine pigments are used in all paint systems: automotive OEM finishes, metallics paints, powder coatings, industrial finishes and decorative paints, Plastics, inks, etc.

Source: www.specialchem4coatings.com

d. **Product & Applications**

Our company manufactures CPC Blue Crude having installed capacity of 3600 TPA at Padra, Vadodara and Pigment Green – 7 having installed capacity of 1200 TPA at Kadi, Mehsana. Our company now proposes to expand CPC Blue Crude facility from present level of 3600 TPA to 10800 TPA and manufacturing of Pigment Beta Blue with an installed capacity of 1200 TPA.

i. **CPC Blue Crude**

CPC Blue is Copper Phthalocyanine Blue Crude, a raw material for manufacture of Blue and other Colours or Pigments. It is used in making Pigments (alpha / Beta Blue and Green), Dyes, Rubber Chemicals, Plastic, Ceramic & Vitrified Tile Colours, Textile Colours, etc.

Phthalocyanine Pigments are one of the largest pigments manufactured in India. These comprise of mainly the Blues and Greens, with reds, yellows etc. bringing up the other shades. In the field of chemicals, India made the modest beginning to manufacture certain intermediates for dyes way back in 1961 and developed necessary intermediates for pigments during the period starting from 1961 to 1965.

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Pigments manufacturing started only after 1965. The first commercial production of CPC Green was started in 1967 in USA. Later on, the technology came to India to manufacture the basic raw material CPC Blue in India. M/s. Sudarshan Chemical Industries started manufacturing CPC Blue Crude in mid 1970s and at present there are more than 7 major units operating in India to manufacture CPC Blue Crude.

According to the latest technological developments, the main solvent used in manufacture of CPC Blue Crude is now Alkyl Benzene. Most old plants in India and China manufacture CPC Blue Crude with ONT and Nitro Benzene solvent. Japan and Germany have reportedly banned products using these two solvents. Also manufacturing CPC Blue Crude with high pressure technology is going to be the trend of the future for which only 4 companies world wide have the required know-how namely BASF, Clariant (our company's technical and financial collaborator), Toyo and DIC. Our company is the first in India to have successfully absorbed this latest technology from Clariant.

e. CPC Blue Crude: Industry Demand-Supply Gap Analysis

Industry Status and Production in India

The installed capacity of CPC Blue Crude in India is estimated at 41000 TPA. About 75% of installed capacity is created by organised sector while 25% by unorganized and small-scale sector. Most of the units are located in Gujarat and Maharashtra. The details of installed capacity of CPC blue crude in India for the year 2006 is given as under:

Sr. No.	Names of the Manufacturers	Location	Installed Capacity in TPA
Organised Sector			
1	Meghamani Organics Ltd	Ankleshwar	8000
2	Phthalo Colors	Vapi	6000
3	Asahi Songwon Colors Ltd.	Vadodara	3600
4	Lona Industries	Raigadh	3000
5	Mazda Colors Ltd.	Mumbai	3000
6	Ishan Dyes & Chemicals	Vatva	3000
7	Narayan Industries	Ank/Odhav	2400
	Total (A)	29000	
SSI Sector			
1	A-One Chemicals	Ankleshwar	2400
2	Bhabani Pigment	Haryana	2000
3	Shreyas Intermediate	Gujarat	1200
4	SBS Organics	Ankleshwar	1200
5	Dhanlaxmi Pigments	Ankleshwar	600
6	Deepchem	Ankleshwar	600
7	Shiva Dyestuff P Ltd.	Ankleshwar	600
8	Unity Organics	Chhatral	360
8	Others		2680
		Total (B)	11640
		Grand Total (A+B)	40,640

Source: as per TEV report

The demand for CPC blue has started increasing in the international market as many major manufacturers are phasing out the production of various pigments due to strict environmental norms and higher cost of production. Thus, the export of pigments made from the CPC blue crude has started increasing which has resulted in the improved capacity utilization in the last 3 years as under:

Year	Installed capacityTPA		Capacity utilization (%)		Production TPA		Total Production TPA
	Org. Sector	SSI Sector	Org. Sector	SSI Sector	Org. Sector	SSI Sector	
2002-03	22000	9000	60	50	13200	4500	17700
2003-04	24200	10000	70	55	16940	5500	22440
2004-05	29000	11640	85	73	24650	8460	33110

Source: as per TEV report

In the year 2004-05, the consumption of CPC blue crude in the domestic market was about 24000 MT and that in the export market was 9000 MT.

f. Global Overview

1. CPC Blue crude

i. Estimated demand for CPC Blue Crude

CPC Blue Crude is a basic raw material for derivatives such as Alpha & Beta Blue pigments and demand for CPC Blue crude globally was 1,12,000 MT in the year 2005.

ii. Estimated Supply for CPC Blue Crude

India and China are the emerging players for manufacturing of CPC Blue Crude in the International market. Most of the advanced countries stopped production of CPC Blue Crude or on the way to phase out the production of CPC Blue Crude due to stringent environmental norms and high labour costs. The country-wise installed capacity of Blue Crude is presented as under:

Sr. No.	Country	Qty. per annum in MT	Global Market Share (%)
01	India	41,000	40
02	China	41,000	40
03	U.S.A.	5,000	5
04	Japan	10,000	10
05	Others	5,000	5
	Total	1,02,000	

Although the installed capacity would be 1, 02,000 MT by 2006-07, many manufacturers in the developed countries like USA, Japan, Korea, etc. are likely to close down and such gap is likely to be filled by manufacturers in India and China as almost 80% of the world production is manufactured by India and China.

iii. Demand Supply Gap in International Market

The demand supply gap in international market is expected to go up. The estimated gap available in international market and possible increase in future years has been presented as under:

Sr. No.	Particulars	Demand / consumption in MT in the year 2005
01	Installed capacity	1,02,000
02	Production	80,000
03	Estimated demand in 2006	1,12,000
	Gap available	(32,000)

The above table indicates that there is a gap in the international market and in coming years, most of the manufacturers in India will export the product. Many of the international players would be closing their production facilities after establishing the manufacturing facilities in India or China. It will take another 4-5 years to establish new capacities in developing countries and phasing out the production in developed countries.

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iv. Domestic Demand Projection

Demand for CPC Blue Crude from different user-industry segments behave differently depending upon the particular industry growth rates, both in India as well as in world. The user industries are high growth sectors like paints & surface coatings (average 8% p.a. linked to Construction, automobile and equipment industries), lubricants (10%), plastics (6%), pigments (15-20%), plastics (8%), pharmaceuticals (10%), and other industries (8%). New uses of CPC Blue Crude and Pigments are being invented through Research and Development, which will outpace the user-industry growth rates.

v. Demand Projections and Demand-Supply Gap

Based on expected growth rate of end-user industry, the demand and supply position as also our company's position to meet the demand supply gap of CPC blue crude is given as under:

(Qty in MT)

Sr. No.	End User Segment	Expected Growth Rate	Present consumption	Estimated Demand (TPA)				
		Year	2006	2007	2008	2009	2010	2011
1	Alpha / Beta Blue		17324	20549	22426	24508	26820	29391
2	Pigment Green-7	5 %	8760	9658	10141	10648	11180	11739
3	Turquoise Blues	3 %	1000	1061	1093	1126	1159	1194
4	Rubber Industry	5 %	600	662	695	729	766	804
5	Tiles / Textiles	3 %	500	530	546	563	580	597
	Sub-Total		28184	32460	34901	37574	40505	43725
6	Export Supply	10%	4926	5960	6557	7212	7933	8727
A.	Total Demand		33110	38420	41458	44785	48438	52452
B.	Total Supply		33000	33000	33000	33000	33000	33000
C.	Gap **	(A – B)	-110	-5400	-8400	-11700	-15400	-19400
D.	Company's Additional Production		–	5060	5760	6480	6480	6480
E.	Company's Existing Production		Included in Total Supply	3240	3240	3240	3240	3240
F.	Company's Total Production		3240	8300	9000	9720	9720	9720
G.	Company's Market Share		10%	22%	22%	22%	20%	19%

** - Figures Rounded off to nearest 'zero'.

Therefore, the estimated demand in the year 2011 would increase to around 52000 MT from 33000 MT in 2006 indicating a gap of 19000 MT at current production level with a total growth of 58% and average CAGR of 9.64%.

Pigment Beta Blue: Industry Demand-Supply-Gap Analysis

Pigment Beta Blue (15:3) is used in the manufacturing of printing inks, paints, plastics, textiles, etc., by using the main raw material CPC blue crude.

Printing ink is required for number of applications like newspaper printing, film printing, ceramic / metal printing etc. to cater the needs of different end users different types of inks were developed.

Industry Status and Production in India

There are around 18 manufacturing units of Pigment Alpha and Pigment Beta Blue in India in both organized sector and unorganized and small-scale sector of which most of the units are located in Maharashtra and Gujarat.

Sr. No.	Name of the Unit	Installed capacity / Annum TPA	
		Alpha Blue	Beta Blue
	Organized Sector		
01	Sudharshan Chemicals, Mahad	1200	1200
02	Heubach Colors, Ankleshwar	1800	1800
03	Lona Industries	1800	1800
04	Pigment India Ltd., Tamil Nadu	360	—
05	Meghmani Organics, Ahmedabad	1200	1800
06	SBS Colors	600	300
07	Ishan Dye Chemicals, Ahmedabad	600	600
08	Mazda Colours Ltd.	600	600
	Total	8160	8100
	SSI Sector		
01	Dhan Laxmi	180	240
02	Sparchem	300	300
03	Deepchem	120	300
04	Coaltar Chemicals	300	180
05	SMC, Ahmedabad	300	120
06	Ramdev Chemical Industries	240	240
07	SBS Colors & Chemicals, Ankleshwar	240	300
08	Other SSI units	2400	1800
	Total	4080	3480
	Grand Total Industry	12240	11580

Source: as per TEV report

The installed capacity and capacity utilization of Pigment Alpha Blue is estimated at around 12,240 TPA and 65% respectively while that of Pigment Beta Blue at 11,580 TPA and 81% respectively.

Domestic Demand

The total domestic consumption of Phthalocyanine Alpha / Beta pigments during the year 2005 was estimated 8,400 MT of which printing inks is the single largest end-user segment consuming 37% of total consumption, followed by paints 12.5%, textile emulsions 19%, plastics 10%, rubber 10% and dry colours 11%.

Export Demand

Exports of pigment beta blue has grown from 3,800 Tons in 2001-02 to 9,000 Tons in 2004-05 – a 236% growth over 4 years.

Present share of India's exports in the world market for organic pigments which is 1.77 lakh tones, is only 4%. Considering shifting capacities from developed nations and rising trend in exports to such countries, India is expected to increase its share to 6% p.a. or more by year 2010.

As far as Pigment Beta Blue is concerned, its demand in the world export market is expected to increase at minimum 10% p.a. However, we expect to increase the export of pigment beta blue with an average growth of 10% p.a.

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Demand-Supply and Gap

(Qty in TPA)

Sr. No.	Particulars	Estimated Consumption 04-05	Anticipated Growth	Projected demand of Blue Pigments				
			Rate	2007	2008	2009	2010	2011
A	End User Sector in Domestic Market							
1	Printing Inks	3105	13%	3965	4480	5063	5721	6464
2	Paints	1039	11%	1280	1421	1577	1751	1943
3	Plastics	1573	10%	1903	2094	2303	2533	2787
4	Textiles	693	5%	764	802	842	884	929
5	Rubber	880	5%	970	1019	1070	1123	1179
6	Other	1039	5%	1137	1225	1339	1482	1660
	Total	8329		10019	11041	12194	13494	14962
B	Export							
	Alpha Blue (40%)	3610	5%	3980	4179	4387	4607	4837
	Beta Blue (60%)	5414	10%	6551	7206	7927	8719	9591
	Total	9024		10531	11385	12314	13326	14428
C	Domestic Demand							
	i. Alpha Blue	4354	5%	4800	5040	5292	5557	5835
	ii. Beta Blue	3946	10%	5219	6001	6902	7937	9127
	Total	8300		10019	11041	12194	13494	14962
D	Estimated total production (Alpha+Beta Blue) (B+C)	17544		20550	22426	24508	26820	29391
E	Total projected demand for Beta Blue (Export+Indegeneous)	9360		11770	13207	14828	16656	18719
F	Estimated total production of Pigment beta blue	9360		9360	9360	9360	9360	9360
G	New capacities in pipeline:							
	a) Beta Blue			1200	300	300	300	—
H	Estimated Incremental availability of Beta Blue			420	825	1125	1515	1545
I	Demand-Supply Gap (E-F-H)			-1990	-3022	-4343	-5781	-7814
J	Company's Production			—	600	960	1080	1080
K	Company's Market Share			—	5%	7%	7%	6%

Source: as per TEV report

It is observed from above that there is a gap in the supply by about 2000 MT in the year 2007, which increases to 7800 Mt in the year 2011. This would help company in selling its entire production both in domestic and export market.

OUR BUSINESS

Summary of Business, Strengths and Strategy

a. Business Overview

Asahi Songwon Colors Limited (ASCL) was formed and incorporated in the name of Lucky Laminates Private Limited (LLPL) on December 19, 1990 with the Registrar of Companies, Gujarat. The name of LLPL was subsequently changed to Lucky Laminates Limited (LLL) on April 19, 1996 and was immediately changed to Asahi Songwon Colors Limited. Prior to the change of name of LLPL to LLL and ASCL, Asahi Dychem Private Limited (ADPL), a Company promoted by present promoters engaged in manufacture and sale of Pigment Green-7 was merged with LLPL with effect from April 01, 1994 vide the decision of High Court of Gujarat, dated February 28, 1996.

ADPL had set up its plant to manufacture Pigment Green -7 at Kadi, Mehsana with an initial capacity of 180 TPA with total capital expenditure of Rs. 40 million. The commercial production at this plant commenced in the year 1991. In the year 1995-96, the High Court of Gujarat, vide its decision-dated February 28, 1996 passed the scheme of amalgamation of ADPL with LLPL. In the same year ASCL entered into a joint venture agreement with Songwon Color Company Limited (SCCL), South Korea with financial investment and supply of technology for manufacture of Green Crude. On entering the technical collaboration with SCCL, ASCL installed a plant for manufacturing Green Crude at a total cost of about Rs. 35 million, which enhanced its installed capacity from 180 TPA to 600 TPA.

Subsequently, ASCL further expanded its installed capacity to 900 M.T in 2002 and to 1080 MT in the year 2005-06 with a capital expenditure of Rs. 35 million.

Copper Phthalocyanine (CPC) Blue Crude is the major raw material used in manufacture Pigment Green – 7. With a view to expand its product range our Company adopted the strategy of vertical integration and set up 100% EOU unit for manufacture of CPC Blue Crude at Padra, Vadodara with an initial installed capacity of 3600 TPA. The facility was commissioned in March 2005 with a total capital expenditure of about Rs.150 million. SCCL provided the production technology for manufacture of CPC Blue Crude also. The technology involves use of alkyl benzene solvent, which provides a faster reaction time and hence better productivity under specific pressure. As the Clariant Limited, a multinational Company based in Muttensz, near Basel, Switzerland has acquired controlling interest of SCCL in February 2006; the name of SCCL was subsequently changed to Clariant Songwon Colors Company Limited (CSCCL). The name of CSCCL further changed to Clariant Pigments (Korea) Limited with effect from February 21, 2006.

The Jaykrishna family of Ahmedabad has promoted ASCL. Mrs. Paru.M.Jaykrishna, the Chairperson and Managing Director of the Company, has over 20 years of experience and is also the first lady to be elected as Vice President of Gujarat Chamber of Commerce and Industries, Ahmedabad. Mr. Munjal Jaykrishna, Executive Director of the Company and Mr. Gokul Jaykrishna, Executive Director looks after the day-to-day affairs of our Company under the overall guidance of Mrs. Paru.M.Jaykrishna.

Our Company, after commencing the production of grass root project for manufacturing CPC Blue Crude at Padra, Vadodara in March 2005 has witnessed good off take for our products in the export market and in the short span of 18 months our Company has been able to achieve capacity utilization of more than 75% of its installed capacity and since October 2006, our Company has achieved 100% capacity utilization. Further the demand for CPC Blue Crude has been increasing and we are unable to meet the demands in the export markets due to capacity constraints. Therefore, we propose to enhance the capacity of our CPC Blue Crude plant from present level of 3600 TPA to 10800 TPA. Furthermore, we also propose to set up the plant for manufacturing of Pigment Beta Blue by way of forward integration for which the required raw material is CPC Blue Crude and has good market potential in the pigment industry. Besides above, with a view to reducing the cost of power and ensuring continuous supply and quality of power, our Company also proposes to set up captive power plant with an installed capacity of 2 MW.

In April 2007, the company has entered into supply agreement and toll manufacturing agreement with DIC, Japan for manufacturing and supply of certain CPC Blue Crude products.

DIC, Japan has agreed to subscribe to 865,200 shares of the company of Rs. 10/- each at Rs. 122/- per share pursuant to the share subscription agreement dated April 17, 2007.

b. The Business

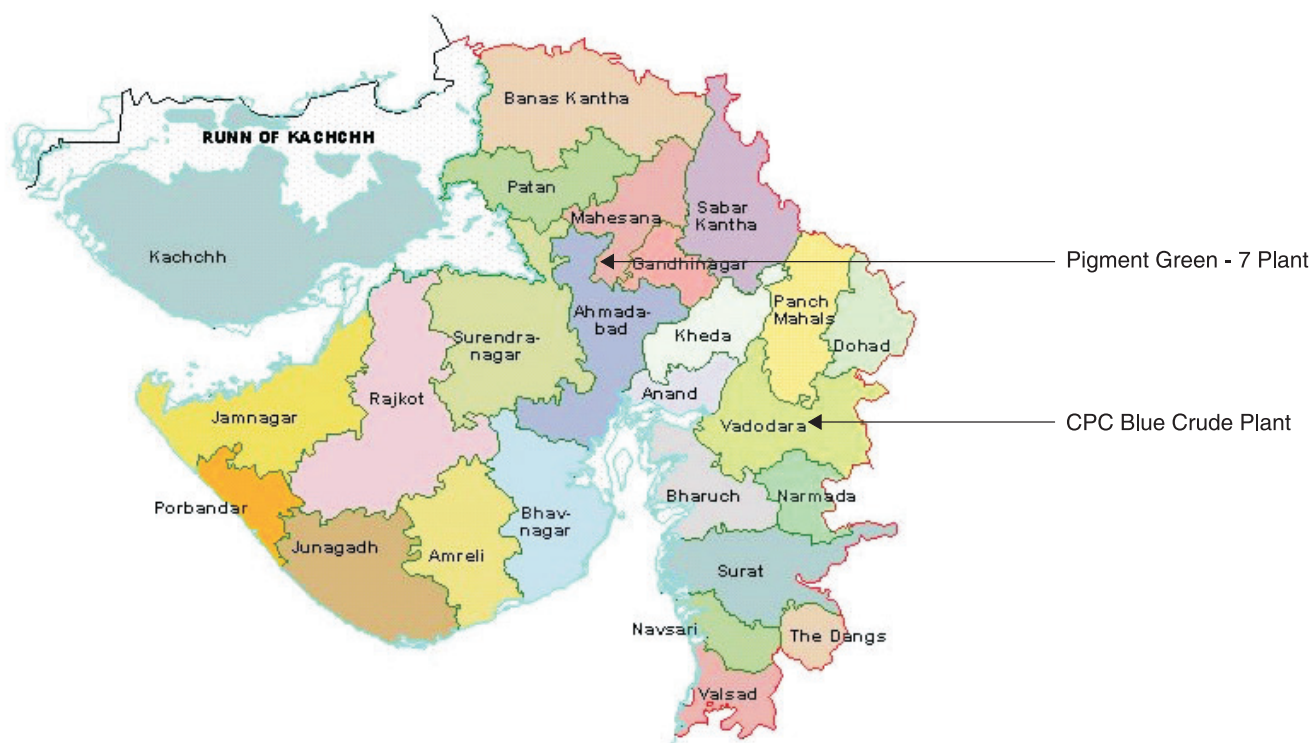
Our Company's products and facilities are as follows:

ASAHI SONGWON COLORS LIMITED

i. Location of the Plants

Plant Location	Product(s)	Installed Capacity [T.P.A]
Kadi, Mehsana	Pigment Green – 7	1200
Padra, Vadodara	CPC Blue Crude	3600

Manufacturing locations of ASCL in the State of Gujarat



ii. Plant & Machinery

CPC Blue Crude – Padra unit

1	Glasslined Vessels
2	Rotary Vacuum Dryers
3	Spin Flash Dryer
4	Filter Presses
5	Treatment Vessels
6	Vacuum receivers
7	Heat Exchangers
8	RO/DM plant
9	Cooling Tower
10	Graphite Heat Exchanger
11	Reflux Condensers
12	Boiler
13	DG Set
14	Columns
15	Circulations Tanks
16	Decanters
17	Heat Exchangers
	▪ 33 M2
	▪ 20 M2
18	Thermic Fluid Heater
	▪ 500 m
	▪ 800 m
19	Chimney

Pigment Green – 7 – Kadi unit, Mehsana

1	Glasslined Vessels
2	Dumping vessels
	▪ FRP Dumping vessel
	▪ Agitated dumping vessel
	▪ Aspirators
3	Treatment tanks with Agitators
4	Filter press - 60 Chambers
5	Re-slurry tank
6	Pigmentation vessels
7	Spin flash dryer
8	Boiler

ASAHI SONGWON COLORS LIMITED

9	RO/DM water plants
10	Thermopacks
11	Bore well
12	Cooling Tower
	▪ FRP Cooling Tower
	▪ Water Softning plant
13	Blender
14	Classifiers
15	Forklift - Godrej

iii. Process

A brief stage-wise summary of the process for manufacturing Pigment Green – 7 is as follows:

a. Chlorination

Aluminum chloride, salt, CPC Blue and cupric chloride are mixed in a reactor and chlorine gas is added for chlorination to obtain Pigment Green – 7. The resulting mixture is then dumped into water.

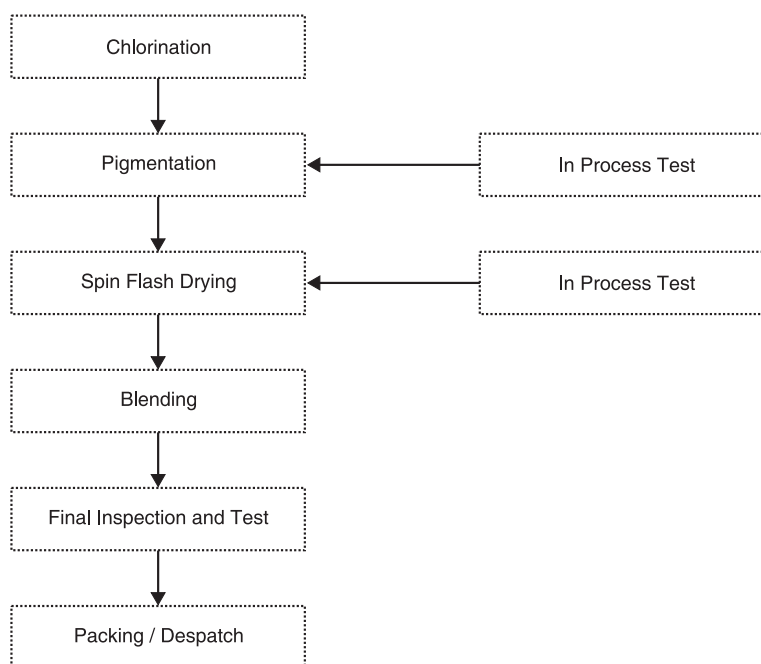
b. Pigmentation and Filtration

The resulting mixture together with other raw materials such as xylene or monochloro benzene and emulsifiers are put into a pigmentation vessel. The resultant substance is then filtered and washed to produce a green pigment in wet cake form.

c. Drying, Packing and Despatch

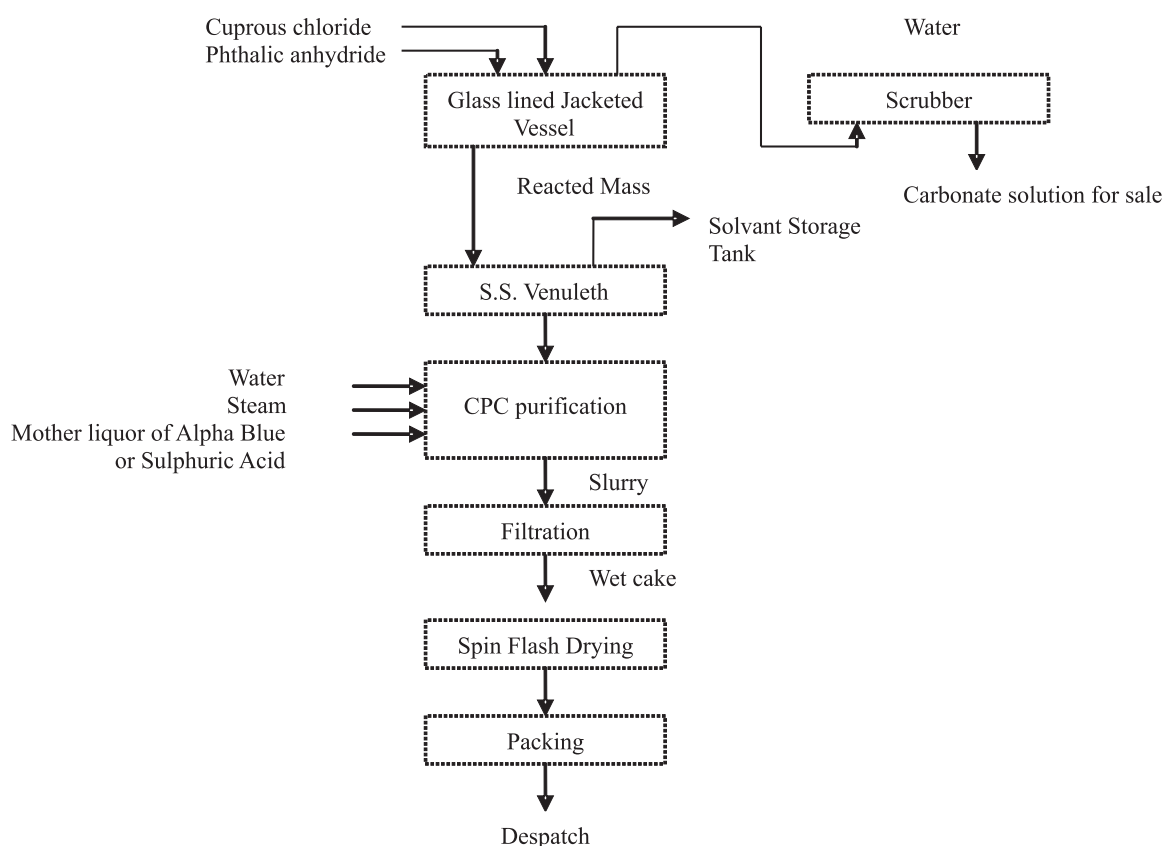
The wet cake is dried in a dryer to produce the respective finished products in powder form, which is then packed and dispatched.

A diagrammatic representation of the manufacturing process for Pigment Green – 7 is as follows:



The manufacturing process of CPC Blue is as follows:

- Ortho Nitro Toluene (“ONT”) is heated to 100° centigrade and phthalic anhydride, cuprous chloride and urea are added to it.
- The contents are maintained at about 180° centigrade for about four hours. Ammonia and carbon dioxide gases evolved during the process are scrubbed in a water scrubber in order to obtain a solution of ammonium carbonate.
- The crude mass of CPC is dumped into a venuleth and the solvent is removed under vacuum.
- The crude CPC Blue is charged in a purification vessel containing water and sulphuric acid. The temperature is raised to 85° centigrade.
- The material is filtered through a filter press.
- The wet cake is washed with hot water and the material is dried in the spin flash dryer.



iv. Raw Materials

Mehsana Plant

For manufacturing Pigment Green – 7, CPC Blue Crude, one of the major raw materials is manufactured at our Vadodara Plant. The other raw materials for the manufacture of Pigment Green – 7 include:

- Aluminum Chloride;
- Cupric Chloride;
- Oleic Acid;
- Chlorine Gas;
- Caustic Soda Lye;
- Ortho-xylene
- Sodium Chloride

Vadodara Plant

CPC Blue is the major raw material used for the manufacture Pigment Green – 7 as also for manufacture of pigments Alpha Blue and Beta Blue, which have diverse industrial applications.

The major raw materials used in manufacture of CPC Blue are:

- | | |
|-----------------------|---------------------------|
| ▪ Ortho Nitro Toluene | ▪ Sulphuric acid |
| ▪ Phthalic Anhydride | ▪ Urea |
| ▪ Cuprous Chloride | ▪ Solvent (Alkyl Benzene) |

The raw materials are sourced domestically, apart from cuprous chloride and alkyl benzene, which are imported.

v. Technical and Financial Collaboration

For the production of Green Crude which is a main raw material of pigment green – 7, ASCL had entered in to technology transfer agreement with SCCL on February 19, 1996. According to the said agreement, SCCL had provided technology for production of green crude by charging the technology fee of US \$ 150,000 and also provided buy back of entire production of green crude manufactured by ASCL. The said technology contract remained in force for the period of 9 years from the date of agreement. ASCL had paid the entire amount as per the terms of agreement. In addition to above, ASCL, as per the agreement, has also paid 5 % of total sales revenue earned by using the above said technology for the period of 5 years from the date of commercial production. Further as per the terms of agreement, SCCL has provided details of manufacturing process, operational procedure of equipments, manual for the maintenance of equipments, quality control manual, equipment layout and equipment list. In addition to above, SCCL also, in terms of the said agreement had invested Rs. 3,865,555 to acquire 359,300 shares.

Songwon Color Company Limited (SCCL) vide technology transfer contract dated September 7, 2003 with ASCL according to which SCCL has provided technology for manufacturing CPC Blue Crude including technology to remove copper out of waste stream related to the production of CPC Blue Crude at a total contract amount of US \$ 200,000. The said technology contract remains in force for the period of 5 years from the date of agreement. ASCL has paid 1/3rd of the technology fees i.e. US \$ 66,667 on October 14, 2006 and further payment of US\$ 66,667 on commencement of commercial production as per the terms. The balance payment of US \$ 66,666 which was to be paid 12 months after commencement of commercial production has not been paid so far on account of delay in commencement of commercial production. ASCL has already taken up the matter with SCCL for extending the date. Further as per the terms of agreement, SCCL has provided details of manufacturing process, operational procedure of equipments, manual for the maintenance of equipments, quality control manual, equipment layout and equipment list. As per the terms of the contract, the technology shall only be transferred into full ownership of ASCL with the payment of last installment due from ASCL and both SCCL and ASCL shall share any improvement and changes in the technology provided by SCCL during currency of agreement.

vi. Infrastructure Facilities**1. Power**

At our unit at Padra, Vadodara, the present installed power load from Madhya Gujarat Vij Company Limited (MGVCL) is 475 KVA, which is expected to go up to 2000 KVA after completing proposed expansion projects. In addition to above, our Company has a DG set of 500 KVA as a standby facility in case of power cut.

In order to reduce the power cost substantially and to have continuous power supply, our Company proposes to set up a 2 MW Lignite based Power Plant at a cost of about Rs 84.5 millions which would help Company in getting not only continuous supply of adequate power but would also help in reducing the power cost substantially and utilize the steam in the process.

In order to meet the continuous process requirements, our Company proposes to buy two DG sets of 500 KVA each for CPC Blue Crude plant and Pigment Beta Blue plant to take care of any shut down of proposed captive power plant.

At our unit at Kadi, Mehsana, the present installed power load is 275 KVA from Uttar Gujarat Vij Company Limited (UGVCL). To meet the continuous power requirement, our Company has also installed DG set of 250 KVA as a standby facility in case of power cut.

2. Fuel

At present, our Company uses HSD as fuel for DG set which is easily available from the reputed oil companies. For the proposed 2 MW power plant our Company would utilize lignite, which is one of the cheapest fuels available in the country from Bharuch mines or Panandhro mines of Gujarat Mineral Development Corporation located in Gujarat. Lignite is available abundantly in Gujarat.

3. Water

Water, which is one of the important requirements of pigment industry, is abundantly available at both the units of our Company. As a thumb rule, each kg of pigment requires around 75 liters of water. Raw water is available from under ground sources as our Company has dug the bore wells at both the units.

The existing requirement of water at Padra unit is 5.61 lac liters per day and at Kadi unit is 1.0 lac liters per day. After the implementation of proposed expansion project at Padra unit, the requirement of water would increase by 20.40 lac liters per day to 26.01 lac litres per day. Our Company has 2 bore wells and has proposed digging up 3 more bore wells to meet the increased requirement of water at Padra unit. Besides above, a construction of new Narmada river canal has now almost reached to near to our plant. The arm of this canal would be passing adjacent to our Padra, Vadodara plant. Therefore, the fresh water would be available to our company for which our company would approach concerned authority at appropriate time.

Our Company focuses on conservation of water and follows best practices to improve water management system. Our Company is also planning to re-charge existing tube-wells by rainwater harvesting so that the water table will go up, TDS will drop, and the availability of water will increase.

Some quantity of water will be used for conversion to RO Water and De-mineralized water (DM water). Our Company requires around 1.25 lac litres of RO water out of which 0.75 lac litres will be converted to DM water and remaining water will be used for boiler feed or for washing of the filter presses.

4. Effluent Treatment and Disposal

i. Air Pollution

Our Company has taken effective steps to combat air pollution by installing three stage ammonia recovery system to recover maximum solvent and ammonia in the form of ammonium carbonate solution. The present system for combating air pollution is adequate enough to take care of increase in production after completion of expansion project at Padra unit. We have at Kadi unit sufficient facility for combating the air pollution generated from pigment green – 7 manufacturing facilities.

Our Company has installed scrubbing system for absorption of HCL gas and conversion of unreacted chlorine gas to sodium hypochlorite solution. Our Company has received the consent for 4 years from GPCB and is valid up to dated October 2, 2007 for Kadi unit and March 18, 2010 for Padra unit.

ii. Liquid effluent

At our Padra unit we have installed Effluent Treatment Plant (ETP) with a capacity to treat about 10 lac litres of effluents per day, which is adequate for the present operations. However, the requirement of effluent treatment would increase after completion of expansion project, as the process will generate about 14.61 lac litres of effluents. Therefore, we have proposed certain modifications in the ETP so as to increase the capacity to 20 lac litres per day.

The treated effluents are discharged in the common effluent channel of Effluent Channel Project Limited (ECPL), a Company established by industry in Gujarat to have common channel for discharging the industrial liquid effluents. Our Company is the member of ECPL and is authorized to use common effluent channel.

The Kadi unit is having a full-fledge ETP plant which comprises of neutralization, filtration and solar evaporation. Our Company is also authorised to sell its concentrated acidic effluent to end user and therefore Company is selling there liquid effluent to one of the renowned textile mills located near Company's plant. Therefore, the Company's liquid effluent load has been considerably reduced and the present ETP plant is sufficient to take care of existing effluent load.

iii. Sludge waste

At our Padra unit, we generate calcium sulphate as solid waste, which is sold in the market to some of the cement companies after having given primary treatment. The surplus solid waste is dumped at solid waste site created by Naroda Enviro Projects Limited (NEPL). Since large portion of our liquid effluent is being given to Arvind Mills Limited,

therefore sludge generation has been drastically reduced. Our Company is also the member of NEPL and is regularly sending the sludge generated to NEPL and hence there is no problem of disposition of solid waste.

iv. Manpower

Our Company employs around 59 workmen/supervisors and 5 managerial/staff at Padra unit whereas, 5 at Kadi unit and 44 managerial/staff and 15 managers/staff at Ahmedabad.

The additional requirement of manpower after completing expansion project would be 40. Our Company does not envisage any difficulty in getting the necessary personnel for our operations.

v. Environmental clearance

For the existing operations at Padra and Kadi units, our Company has necessary approvals for treatment and discharge of effluents from Gujarat Pollution Control Board (GPCB), which is valid up to October 2, 2007 for Kadi unit and March 18, 2010 for Padra unit. We would require obtaining no objection certificate from GPCB for our proposed expansion projects in due course of time.

c. Market Overview

Our Company proposes to expand the capacity of CPC Blue Crude from 3600 TPA to 10800 TPA, setting up of Pigment Beta Blue plant of 1200 TPA and a captive Power plant of 2 MW. Apart from above, our Company presently manufactures Pigment Green – 7 at Kadi plant.

CPC Blue Crude

CPC Blue is Copper Phthalocyanine Blue Crude, a raw material for manufacture of Blue and other Colours or Pigments. Uses of CPC Blue Crude are in making Pigments (alpha / Beta Blue and Green), Dyes, Rubber Chemicals, Ceramic & Vitrified Tile Colours, Textile Colours, etc.

Phthalocyanine Pigments are one of the largest pigments manufactured in India. These comprise of mainly the Blues and Greens, with reds, yellows etc. bringing up the other shades.

Pigment Beta Blue

Pigment Beta Blue is used to in manufacture of Printing Inks, Paints, Plastics, and Textiles.

d. Competition

The pigments industry in India is highly competitive with many units in organized as well as unorganized sector involved in the manufacture and export of Pigments. ASCL's major competitors for Pigments Green and Blue are Heubach Color Limited, Meghmani Industries Ltd. and Phthalo Colors and Pigments Limited.

ASCL has technology from SCCL, to manufacture CPC Blue Crude. The technology and quality standards followed by ASCL have ensured continued relationships with MNC customers such as Sun Chemicals, USA, Clariant, Germany and Korea, DIC Japan, Ciba etc.

e. Research and Development

For the pigments business, Our Company has proposed to set up research and development facilities at Vadodara unit. The research and development activities of our Company will be focused on:

- Improving the application characteristics of pigments, such as improving dispersion,
- Developing enhanced pigment products or new shades of Pigment Blue or Pigment Green products and
- Improving the process yields.

Also our Company has proposes to install pilot plant facility at Vadodara unit, which facilitate trial runs of the new production processes and/or new products before commercial production.

f. Marketing and Selling Arrangements

Our Company follows a two tier marketing system consisting of:

- i. Direct Marketing to MNCs and big industrial consumers
- ii. Dealers network

We market our products through direct sales to MNCs such as Sun Chemicals-USA, DIC-Japan (Dai Nippon Ink and Chemicals, Inc. Japan), Ciba, DiHan Swiss, Everlight Chemicals-Taiwan, Kyung-In Chemical –Korea and Micro Inks-India. Besides direct marketing, we have also appointed dealers for getting the orders.

The Company has entered into a Supply Agreement with DIC, Japan on April 17, 2007 for supply of certain product of the wider group of CPC Blue Crude products for a period of one year and to be automatically renewed for a further period of 12 months unless terminated atleast 90 days prior to the expiry of the one year by the Company or DIC, Japan.

The Company has entered into a Toll Manufacturing Agreement with DIC, Japan on April 17, 2007 for manufacture and supply of certain specified products from the wider group of CPC Blue Crude products exclusively for DIC, Japan with the use of Technical Information from DIC for a period of three years and to be automatically renewed for a further period of three years unless terminated atleast one year prior to the expiry of the three year period by the Company or DIC, Japan.

In terms of the Toll Manufacturing Agreement the Company has inter-alia agreed to manufacture and supply the specified product exclusively to DIC, Japan. For a period of two years DIC, Japan will not procure the specified product from any Person in India, other than any entities controlled by DIC subject to certain conditions.

Under the agreements with DIC, Japan the Profit Margin for each quarter under the Supply Agreement and the Toll Manufacturing Agreement is determined on the basis of the quantity purchased and during the preceding quarter and the quantity proposed to be purchased in the immediately following quarter by DIC, Japan and its affiliates for a six month period.

Our customers are mainly from industries such as printing ink, plastic, rubber, paints, textiles, leather and paper industries, and such customers purchase pigment products either directly from us or through our agents and distributors. We exported 78.52% of our total turnover and 74.16% of the production for the FY 2006 across the world.

g. Marketing set up

Mr. Munjal M. Jaykrishna, Executive Director, is overall in-charge of the marketing of our products. Mr. Ashok Barot- Senior Manager, Technical Services, and 3 marketing officers assist him with 3 other marketing officers.

h. Export obligation

Our Company had export obligation of US \$ 243,750, which has been fulfilled. Further, our Padra unit enjoys 100% EOU status and therefore may sell goods of only upto 50% of the FOB value of exports in the Domestic Tariff Area (DTA) subject to fulfillment of positive Net Foreign Exchange (NFE).

i. Awards & Recognitions

Our Company has received the following awards:

Year		
1998-99	Gujarat Export Award	Gujarat Export award to women manufacturer / exporter
1999-00	GDMA	Export performance
2000-01	CHEMEXCIL	Merit certificate for outstanding performance in export of dye and dye intermediates
2000-01	GDMA	For export performance of more than 60 millions for self manufactured Direct exports of dyes and intermediates
2000-01	CHEMEXCIL	Export performance Award
2000-01	FIEO	Certificate of Excellence for excellent performance in category of Export House SSI
2001-02	FIEO	Certificate of Excellence for excellent performance in category of Export House SSI
2001-02	GDMA	For export of more than 60 millions and less than 200 millions export of self manufactured dyes and intermediates
2001-02	CHEMEXCIL	Merit Certificate for outstanding export performance in dyes and dyes intermediates
2002-03	GDMA	For export of more than 60 millions and less than 200 millions export of self manufactured dyes and intermediates
2003-04	GDMA	For export performance of more than 60 millions and less than 200 millions for self-manufacturing and export of Dye intermediates.

j. Key Strengths

- Technology and technological support from Clariant Pigments (Korea) Limited (erstwhile SCCL).
- Long term association with key international customers based on product quality and technology. The diversified customer base, spread over a variety of end-use and geographical locations provide a natural hedge against cyclical variations in the industry.
- Access to effluent channel at Vadodara unit leading to low environment damage and lower environment management costs
- Established product quality and the product acceptance from major international customers
- ASCL has qualified and trained technical staff with exposure to international technology and best practices
- DIC, Japan has agreed to subscribe to 8,65,200 equity shares of Rs. 10/- each at Rs. 122/- per share pursuant to the share subscription agreement dated April 17, 2007 representing 10.12% of the Pre-IPO equity share capital of the Company.
- In April 2007, the Company has entered into the supply agreement and the toll manufacturing agreement with DIC, Japan

k. Business Strategy

Our Company is a one of the major player in Pigment industry and intends to become a leading manufacturer of pigments around the world. Our Company is in the manufacturing of the Pigment Green – 7 and CPC Blue Crude, exporting substantial production to leading MNC's around the world, which has led us to the present level in short span of time on account of quality of our products. Our Company wants to leverage this strength to its benefit in future so as to become a market leader in the pigment industry. With this view in the backdrop, our Company has proposed to expand capacity of CPC Blue Crude, set up a plant for manufacturing of Pigment Beta Blue plant of 1200 TPA and a captive Power plant of 2 MW.

The key components of our strategy to drive profitable growth and to maximize value are to continuously enhance customer satisfaction, engage in continuous research and development to achieve best-in-class manufacturing, attract, develop, and retain qualified employees, and maintain stringent standards of environmental safety and corporate responsibility. Keeping in view the above, the business strategy of our Company is as under:

i. Focus on expansion of capacity so as to attain economies of scale

We are one of the few manufacturers manufacturing CPC Blue Crude and the finished pigments. There has been increasing demand for our CPC Blue Crude from the major manufacturers across the world. In the short span of 18 months our Company has been able to achieve capacity utilization of more than 75% of its installed capacity and since October 2006, our Company has achieved 100% capacity utilization. Our present capacity would fall short of our customers demand. Therefore, with a view to achieve twin objective of catering to the increased demand of our CPC Blue Crude and to reduce the cost of production by achieving the economies of scale and thereby becoming more competitive, the proposed expansion has been planned which would benefit our Company in future.

ii. Continued focus on consistently meeting international quality standards so as to ensure product acceptance by MNC customers

Our CPC Blue Crude plant has 100 % EOU status and we export more than 90% of our production to various customers who are in turn leading manufacturers of pigments in the world. These customers demand high quality products and thus to ensure the acceptance of our product, we lay more emphasis on the quality of our products. To this end we have been following strict quality control norms for our products so as to comply with the international quality standards so as to ensure product acceptance by MNC customers.

iii. To increase our customer base in the export market

Our aim is to become a leading manufacturer of CPC Blue Crude to cater the various customers of different industries across the world. The proposed expansion will enable us to cater the huge demands of the existing customers and also to approach new customers with adequate quantity of our product for sale. This would strengthen our relationship with increased customer base in the export market.

I. Capacity and Capacity Utilization

The capacity and capacity utilization for the products manufactured by our Company for the past 3 years financial years ended March 31, 2004, 2005, 2006 and for a nine months ended December 31, 2006 and as also projected capacity and capacity utilization for the financial year ending March 31, 2007, 2008, 2009 and 2010 are given as under:

Particulars	2003-04 (Actual)	2004-05 (Actual)	2005-06 (Actual)	Nine months ended 31.12.2006 (Actual)	2006-07 (Projected)	2007-08 (Projected)	2008-09 (Projected)	2009-10 (Projected)
A. Existing								
Pigment Green – 7								
Installed Capacity (TPA)	1080.00	1080.00	1080.00	1080.00	1200.00	1200.00	1200.00	1200.00
Capacity Utilization	34.08%	48.15%	49.63%	66.76%	75.00%	80.00%	85.00%	90.00%
Production (TPA)	368.11	520.00	536.00	540.758	900.00	960.00	1020.00	1080.00
CPC Blue Crude								
Installed Capacity (TPA)	-	-	3600.00	3600.00	3600.00	3600.00	3600.00	3600.00
Capacity Utilization			26.50%	82.32%	90.00%	90.00%	90.00%	90.00%
Production (TPA)		7.50	954.00	2222.685	3240.00	3240.00	3240.00	3240.00
B. Proposed Expansion								
CPC Blue Crude								
Installed Capacity (TPA)	-	-	-	-	-	7200.00	7200.00	7200.00
Capacity Utilisation	-	-	-	-	-	70.00%	80.00%	90.00%
Production (TPA)	-	-	-	-	-	5040.00	5760.00	6480.00
Pigment Beta Blue								
Installed Capacity (TPA)	-	-	-	-	-	1200.00	1200.00	1200.00
Capacity Utilisation	-	-	-	-	-	50.00%	80.00%	90.00%
Production (TPA)	-	-	-	-	-	600.00	960.00	1080.00

As regards to our product Pigment Green – 7, our actual average capacity utilization for the 3 financial years ended March 31, 2006 was 43.95% whereas we have projected average capacity utilization of 80% in the 3 financial years ending March 31, 2009 indicating capacity utilization of more than 25% then that actually achieved during the previous 3 financial years. It may be mentioned that during the FY 2003-04, the chemical industry was passing through the recessionary conditions which was set in from the year 2001 onwards and therefore, the Company's production performance was hampered. Further, due to the stringent norms introduced by regulatory authorities in regard to pollution control has resulted into closure / under utilization of capacity of our customers in the country which in turn also affected our production performance. However, we have subsequently taken corrective actions by marketing our products in export market to various MNC's and has improved our production and capacity utilization. This can be substantiated by the fact that our capacity utilization for the nine months ended December 31, 2006 has increased to 66.76% and as per the present orders on hand, the capacity utilization for the remaining period for the FY 2006-07 will be in the range of 75% - 80%. Therefore our Company is confident to achieve the projected levels of capacity utilization in respect of pigment green – 7 in future.

As regards to our product CPC Blue Crude, our actual average capacity utilization for the full year of the operation during the FY 2005-06 was 26.5% while that projected by our Company for the 3 years ending FY 2007, 2008 and 2009 is 90% indicating the projected level of capacity utilization is more than 25% of the actual. In addition to above, we have also proposed to increase the capacity of our product CPC Blue Crude by 7200 TPA. Our Company for the nine months ended December 31, 2006 has achieved capacity utilization of 82.32% of the existing installed capacity of 3600 TPA and has achieved 100% of capacity utilization in October 2006. Our Company has orders for 500 MT of CPC Blue Crude and more over enquires have been received by leading MNC's in the world for the supply of CPC Blue Crude on continuous basis which would lead to capacity utilization of 90% for existing capacity in future. Besides above, the enquires for supply of

ASAHI SONGWON COLORS LIMITED

CPC Blue Crude for approximately 1100 TPA have also been received from various MNC's and local customers which would ensure the average capacity utilization of 80% during the 3 years ended 2008, 2009 and 2010. Therefore our Company is confident to achieve the projected levels of capacity utilization in respect of CPC Blue Crude in future.

As regards to our product pigment beta blue, we are presently not manufacturing the said product and have proposed to set up a new plant for the same and accordingly the need based average capacity utilization of 73.33% has been projected for the years 2008, 2009 and 2010.

Description Of Certain Indebtedness

The Company has availed of certain loans in the form of foreign currency term loans, Rupee term loans, short term loans, working capital facilities, overdraft facilities, debentures and non-fund based limits like bank guarantees and letters of credit. The details of our indebtedness in this regard, as on December 31, 2006 have been presented below:

The status of loans availed by the company as on December 31, 2006 is as follows:

Secured Loans - From State Bank of India				
Name of Bank/FI	Currency	Sanctioned	Availed	Outstanding
State Bank Of India Term Loan FCNR	USD	INR 80.00 Millions (with a option to avail in FCNRB)	1.71 million USD	1.09 millions USD
State Bank Of India Rupee loan	INR	INR 0.47 Millions	Nil	
Sub Total	INR	80.00 Millions	1.09	millions USD

Working Capital Loan - From State Bank of India			
Name of Bank / FI	Currency	Sanctioned (Rs. In Millions)	Outstanding
Pre-Shipment 1) EPC / PCFC	INR	INR 80.00 Millions (Sub-limit Demand Cash Credit of INR 10.00 millions)	89.65
2) Adhoc	INR	INR 30.00 Million	
Post-Shipment	INR	INR 36.00 Millions (Sub-limit Advance against bills sent on collection of Rs. 10.00 millions)	54.82
SubTotal	INR	146.00	144.17

Unsecured Loan		
Name of Bank / FI / Lender	Currency	Outstanding(Rs. In Millions)
AksharChem (India) Ltd.	INR	47.87
Directors	INR	39.53
Sub Total	INR	194.51

NON-FUND BASED LOAN: - From State Bank of India

	Sanctioned (in INR Millions)	Outstanding (in INR Millions)
Bank Guarantee	10.00	4.42
Letter of Credit	20.00	19.07

Notes:

1. Term Loans are secured by Equitable Mortgage of Land & Buildings and a first charge by way of hypothecation of the whole of the movable properties of the company including its movable Plant & Machinery, Machinery Stores, Tools &

Accessories, present & future and other movables save & except book debts & current assets and further secured by personal guarantee of three directors of the company. The mortgage and hypothecation charge shall rank pari passu amongst lenders.

- 2) Working Capital Loans : Secured by hypothecation of Raw Materials, finished Goods, Stock in Process, and Book Debts, and personal guarantee of three directors of the company. Foreign Bills Discounting A/c : Secured against Export Invoices raised, against Negotiable Letter of credits / Cash against documents (NLC \$B!G (Bs).

The details relating to project loans, please refer to page no. 21 of the RHP.

REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the Government of India. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below are not exhaustive, and is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional legal advice.

There are no specific regulations in India governing the chemical industry. Set forth below are certain significant legislations and regulations that generally govern this industry in India.

Foreign Ownership

Under the Industrial Policy and FEMA, foreign direct investment up to 100% under the automatic approval route is permitted in chemical industry.

The RBI by its A.P. (DIR Series) circular No. 16 dated October 4, 2004 granted general permission for the transfer of shares of an Indian company by Non-Residents to residents, subject to the terms and conditions, including pricing guidelines, specified in such circular.

Investment by Foreign Institutional Investors

Foreign Institutional Investors ("FIIs") including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realise capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

Ownership restrictions of FIIs

Under the portfolio investment scheme, the overall issue of equity shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of the company. However, the limit of 24% can be raised up to the permitted sectoral cap for that company after approval of the board of directors and shareholders of the company. The offer of equity shares to a single FII should not exceed 10% of the post-issue paid-up capital of the company or 5% of the total paid-up capital in case such sub-account is a foreign corporate or an individual. In respect of an FII investing in equity shares of a company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of that company.

Fiscal Regulations

Under the Foreign Trade (Development and Regulation) Act, 1992, the Central Government is empowered to periodically formulate the Export Import Policy (EXIM Policy) and amend it thereafter whenever it deems fit. All exports and imports have to be in compliance to such EXIM Policy.

Foreign Trade Policy (Advance Licensing)

The principal objectives of this Policy are:

1. To facilitate sustained growth in exports to attain a share of at least 1% of global merchandise trade.
2. To stimulate sustained economic growth by providing access to essential raw materials, intermediates, components, consumables and capital goods required for augmenting production and providing services.
3. To enhance the technological strength and efficiency of Indian agriculture, industry and services, thereby improving their competitive strength while generating new employment opportunities, and to encourage the attainment of internationally accepted standards of quality.
4. To provide consumers with good quality goods and services at internationally competitive prices while at the same time creating a level playing field for the domestic producers.

The Duty Exemption Scheme enables duty free import of inputs required for export production. An Advance License is issued under Duty Exemption Scheme. The Duty Remission Scheme enables post export replenishment/ remission of duty on inputs used in the export product. Duty Remission Scheme consists of (a) DFRC and (b) DEPB ("Duty Entitlement Pass Book")

scheme). DFRC permits duty free replenishment of inputs used in the export product. The DEPB scheme allows drawback of import charges on inputs used in the export product.

An Advance License is issued to allow duty free import of inputs, which are physically incorporated in the export product (making normal allowance for wastage). In addition, fuel, oil, energy, catalysts etc. which are consumed in the course of their use to obtain the export product, may also be allowed under the scheme. Duty free import of mandatory spares upto 10% of the CIF value of the license which are required to be exported/ supplied with the resultant product may also be allowed under Advance License. Advance License can be issued for:-

- a. Physical exports:- Advance License may be issued for physical exports to a manufacturer exporter or merchant exporter tied to supporting manufacturer(s) for import of inputs required for the export product.
- b. Intermediate supplies:- Advance License may be issued for intermediate supply to a manufacturer-exporter for the import of inputs required in the manufacture of goods to be supplied to the ultimate exporter/deemed exporter holding another Advance License.
- c. Deemed exports:- Advance License can be issued for deemed export to the main contractor for import of inputs required in the manufacture of goods to be supplied to the categories mentioned.

Advance License is issued for duty free import of inputs, as mentioned above subject to actual user condition. Such licenses (other than Advance License for deemed exports) are exempted from payment of basic customs duty, additional customs duty, anti dumping duty and safeguard duty, if any.

Advance License for deemed export shall be exempted from basic customs duty and additional customs duty only. Advance license can also be issued on the basis of annual requirement for physical exports. The entitlement under this scheme shall be upto 200% of the FOB value of export in the preceding licensing year. Such license shall have positive value addition.

The DEPB shall be valid for a period of 24 months from the date of issue of license. Export obligation period under advance license has been enhanced from 12 months to 24 months and likewise, validity of the advance license has been enhanced from 12 months to 24 months. This will give the exporter more time for his export import operations without having to come to DGFT repeatedly for extension of the export obligation period or renewal of the license. As per the Foreign Trade Policy released by the DGFT, extension of export obligation period may be granted subject to the following:

- One extension for a period of six months from the date of expiry of the original export obligation period to the licensee subject to payment of composition fee of 2% of the duty saved on all the unutilized import items as per license;
- Request for a further extension of six months may be considered by the Regional Licensing Authorities subject to payment of composition fee of 5% of the duty saved on all the unutilized import items as per license;
- However, any further extensions beyond 36 months from the date of issuance of the Advance License or on the lapse of any other extension(s) granted by DGFT would be permitted on payment of the composition fee @ 2% per month of the duty saved amount proportionate to the balance export obligation.

Environmental Regulations

We have to comply with the provisions of the Environment Protection Act, 1986, Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Hazardous Waste (Management and Handling) Rules, 1989.

Entrepreneurs are required to obtain statutory clearances relating to pollution control and environment for setting up an industrial project. A Notification (SO 60(E) dated 27.1.94) issued under The Environment (Protection) Act, 1986 has listed 30 projects in respect of which environmental clearance needs to be obtained from the Ministry of Environment, Government of India. This list includes petrochemical complexes, petroleum refineries, cement, thermal power plants, bulk drugs, chemicals, fertilizers, dyes and paper.

In addition to the above, there are certain other acts and legislations that are applicable to our industry and they are as under –

- Contract Labour (Regulation and Abolition) Act, 1970;
- Inter State Migrant Workers Act, 1979;
- Factories Act, 1948.
- Payment of Wages Act, 1936.
- Payment of Bonus Act, 1965.

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- Employees' State Insurance Act, 1948.
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952.
- Payment of Gratuity Act, 1972.
- Shops and Commercial Establishments Act, where applicable.
- Environment Protection Act, 1986;
- Minimum Wages Act;
- Hazardous Waste (Management and Handling) Rules, 1989;
- Hazardous Chemicals Rules, 1989;
- The Explosives Act, 1884;
- Workmen's Compensation Act, 1923;
- The Water (Prevention and Control of Pollution) Act, 1974 and
- The Air (Prevention and Control of Pollution) Act, 1981

Insurance

Our Company has taken up a range of insurance policies including:

1. fire policies for our plants, buildings and offices, raw materials, work-in-progress and finished goods;
2. marine policy for transit of raw materials and finished products in India and marine export policy;
3. machinery break-downs policies for our production equipment;
4. workmen compensation policy under the Workmen Compensation Act, group accident policy for Padra, Vadodara unit.

These insurance policies are reviewed annually to ensure that the coverage is adequate. All the policies are in existence and the premiums have been paid thereon.

Recent Development

The Company has entered into a Share Subscription Agreement with DIC, Japan and the promoters of the Company on April 17, 2007 and pursuant to the terms and conditions and relying on the representations made by the company and the promoters, DIC, Japan has agreed to subscribe for 8,65,200 equity shares of Rs. 10/- each at a premium of Rs. 112/- per equity share. Accordingly, the company has received share application money for 8,65,200 equity shares at Rs. 122/- per share from DIC, Japan and the same is deposited with State Bank of India. Upon receipt of approval letter from FIPB the Company shall call a meeting of the Board of Director to allot 8,65,200 shares to DIC, Japan.

Further, the Company has entered into a Supply Agreement with DIC, Japan on April 17, 2007 for supply of certain product of the wider group of CPC Blue Crude products for a period of one year and to be automatically renewed for a further period of 12 months unless terminated atleast 90 days prior to the expiry of the one year by the Company or DIC, Japan.

The Company has also entered into a Toll Manufacturing Agreement with DIC, Japan on April 17, 2007 for manufacture and supply of certain specified products from the wider group of CPC Blue Crude products exclusively for DIC, Japan with the use of Technical Information from DIC for a period of three years and to be automatically renewed for a further period of three years unless terminated atleast one year prior to the expiry of the three year period by the Company or DIC, Japan.

In terms of the Toll Manufacturing Agreement the Company has inter-alia agreed to manufacture and supply the specified product exclusively to DIC, Japan. For a period of two years DIC, Japan will not procure the specified product from any Person in India, other than any entities controlled by DIC subject to certain conditions. Further in terms of the Toll Manufacturing Agreement DIC, Japan shall not share Technical Information for a period of two years with any other person in India

Under the agreements with DIC, Japan the Profit Margin for each quarter under the Supply Agreement and the Toll Manufacturing Agreement is determined on the basis of the quantity purchased during the preceding quarter and during the subsequent quarter by DIC, Japan and its affiliates for a six month period.

HISTORY AND CERTAIN CORPORATE MATTERS

We were originally incorporated on December 19, 1990 as a private limited company called Lucky Laminates Private Limited in State of Gujarat. In the year 1995-96, the High Court of Gujarat at Ahmedabad vide its decision dated 28.02.1996 passed the scheme of amalgamation of Asahi Dychem Pvt. Ltd. with us. On April 19, 1996 we converted into public company and on the same day we changed our name to Asahi Songwon Colors Limited.

MAJOR EVENTS

The chronology of key events since our Company was incorporated in 1990 is as follows:

Year	Events
December, 1990	ASCL incorporated as Lucky Laminates Private Limited, a private limited company
February, 1996	Amalgamation of Asahi Dychem Pvt. Ltd. with Lucky Laminates Pvt. Ltd.
February, 1996	Technology Collaboration Agreement and Buy-Back Agreement with Clariant Songwon Color, South Korea for CPC Green Crude
April, 1996	Name changed to Asahi Songwon Colors Ltd.
January, 2000	Won the award of Outstanding export performance for the year 1998-99 from Govt. of Gujarat
January, 2003	Establishment of new unit for the production of CPC Blue at Dudhwada, Baroda Unit.
September, 2003	Technical Transfer Agreement and Supply Agreement with Clariant Songwon Color, South Korea for CPC Blue Crude.
March, 2004	Receipt of Recognition of 100% Export Oriented Undertaking to Dudhwada Plant
December, 2004	Receipt of ISO 9001:2000 Certification of CPC Green at Indrad Plant
March, 2005	Production of CPC Blue Crude started at Dudhwada, Baroda Unit.
July, 2006	Receipt of ISO 14001:2004
April 17, 2007	DIC, Japan entered into share subscription agreement to acquire 10.12% equity of the Company
April 17, 2007	Supply agreement and Toll Manufacturing Agreement with DIC

Our Main Objects

The main objects of our Company as contained in our Memorandum of Association are:

1. To manufacture, make, buy, sell, import, export, distribute, introduce or otherwise deal in decorative boards, laminates sheets, Boards, Wooden Sheets, Plywood and Artificial Leather cloth and similar products in India elsewhere.
2. To carry on the business as manufacturers, importers, exporters, processors, buyers, sellers, dealers, consignors, agent, stockist, suppliers of all kinds, types and nature of pigments, dyes, chemicals, auxiliaries, intermediates Agro chemicals and chemical products of any nature and kind whatsoever, including heavy chemicals, fine chemicals, organic and inorganic chemicals and allied chemicals.

Changes in Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Shareholder Approval	Changes
March 26, 1991	Authorized capital increased to Rs. 1.0 Million
April 12, 1994	Authorized capital increased to Rs. 7.5 Million
April 21, 1996	Splitting of shares @ Rs. 10 each from Rs. 100 each
June 26, 1995	Name changed to "Asahi Songwon Colors Ltd."
June 26, 1995	Authorized capital increased to Rs. 50.0 Million
May 27, 1996	Authorized capital increased to Rs. 110.0 Million
May 25, 2006	Authorized capital increased to Rs. 200.0 Million
October 20, 2006	Insertion of new Object in the Main Object Clause

Our Subsidiaries

There are no subsidiaries of our company as on the date of filing of this RHP.

Shareholder Agreements in Relation to the Company

There are no shareholders agreements involving our Company to which either our Promoters or our Company is a party as on the date of this Red Herring Prospectus except the Share Subscription Agreement between the Company, the Promoters of the Company and DIC, Japan.

Other Material Agreements

There are no other material agreements as required in terms of Clause 6.9.4.5 of the SEBI DIP Guidelines except the Share Subscription Agreement between the Company, the Promoters of the Company and DIC, Japan.

OUR MANAGEMENT

Board of Directors

The following table sets forth details regarding our Board of Directors as at the date of this Red Herring Prospectus:

Name, Father's/ Husband's Name, Designation, Occupation and Term	Age	Address	Other Directorships
Mrs. Paru M. Jaykrishna W/o Mr. Mrugesh Jaykrishna Chairperson and Managing Director Business Since 29th November 1997	63 years	"Gokul" Camp Road, Shahibaug, Ahmedabad - 380004	1. AksharChem (India) Limited; 2. Skyjet Aviation Private Limited
Mr. H.K. Khan, IAS (Retd.) S/o Mr. Kabir Khan Independent Non Executive Director Retd. Government Executive Since November 28, 2006.	73 years	A-67, New Friends Colony, New Delhi 110 065	1. Lafance overseas Pvt. Limited 2. Sherwood Infrastructures (India) Pvt. Limited 3. Jubliant Organosys Limited, Noida 4. Calcom Visions Limited 5. Dhir & Dhir Asset Reconstruction & Securitisation Company Limited
Mr. R.K. Sukhdevsinhji S/o Late. Gen. M.R. Singhji Independent Non Executive Director Industrialist Since 28 th may 1996.	70 years	"Hill Park", 3rd Floor, Block No.I.A.G. Bell Marg, Malabar Hill, Mumbai – 400 056	1. SWIL Limited; 2. Vadinar Power Co. Limited
Mr. Arvind Goenka S/o Mr.J.P.Goneka Independent Non Executive Director Industrialist Since 16 th April 1996	44 years	31, Netaji Subhash Road Calcutta-700 001	1. Orient Carbon & Chemicals Limited 2. Schrader Duncan Limited
Mr. Gokul M. Jaykrishna S/o Mr. Mrugesh Jaykrishna Executive Director Business Since 29 th November 1997	38 years	"Gokul" Camp Road, Shahibaug Ahmedabad – 380 004	1. AksharChem (India) Limited; 2. Skyjet Aviation Private Limited
Mr. Munjal M. Jaykrishna S/o Mr. Mrugesh Jaykrishna Executive Director Business Since 8 th March 1996	36 years	"Gokul" Camp Road, Shahibaug Ahmedabad – 380 004	1. Akhsar Chem (India) Limited; 2. Skyjet Aviation Private Limited
Prof. Pradeep J. Jha S/o Mr. Jasubhai Jha Non Executive Director Professor Since 26 th August 1997	61 years	33, Kadambari Society, S.M.Road, Ambawadi, Ahmedabad	Nil

Details of our Directors

Mrs. Paru M. Jaykrishna, 63 years, is the promoter of our company. Mrs. Paru is having 35 years of experience in the business. She is also the Founder of AksharChem (India), Skyjet Aviation Pvt. Ltd. She is being first lady appointed as a Vice president and Executive member of Gujarat Chamber of Commerce and Industry. She is a B.A. with Philosophy, a Sanskrit, M.A. with English Literature and LL.B.

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.

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Mr.R.K. Sukhdevsinhji, 70 years, is the son of Late Maharaja Rajendrasinhji. He is a professional having rich experience in the petroleum industry in general and in the marketing of petroleum products in particular. He was also the Chairman and Managing Director of Bharat Petroleum Corporation Limited. He has varied interest in sports, industry associations, etc.

Mr. Arvind Goenka, 44 years, an industrialist of repute with an over 20 years experience in the management of the companies in the field of jute, textile and rubber chemical industries.

Mr. Gokul M. Jaykrishna, 38 years, is a promoter of our company and director in AksharChem (India) Ltd, Skyjet Aviation Pvt. Ltd. He was working in Krieger Associates, New Jersey, USA, one of the most influential currency and currency option traders in USA. He has done his specialization in Finance from Lehigh University, Bethlehem, and Bachelors of Science in Economics from University of Pennsylvania.

Mr. Munjal M. Jaykrishna, 36 years, is a promoter of our company and from 1991 onwards is in charge of complete operation of the company including Production, Marketing, and Quality Control of our company. He was working in Bank of California, San Francisco, USA, as a Financial Analyst, Paragon Knits, Bethlehem as a Consultant. He is a B.S. in business and Economics from Lehigh University, Bethlehem. He was a project director of Red Cross Fund raiser. He is director in AksharChem (India) Ltd., Skyjet Aviation Private Limited.

Prof. Pradeep J. Jha, 61 years, is an academician with over 34 years experience in teaching. He has published research papers on inventory management.

Borrowing Powers of Directors

Vide an ordinary resolution approved at the extraordinary general meeting of the shareholders held on September 25, 2004, the current borrowing powers of the Board pursuant to Section 293(1)(a) and Section 293(1)(d) of the Companies Act is Rs. 50 crores exclusive of interest or the aggregate amount of paid up capital and free reserve, whichever is higher.

Appointment and Compensation of Our Directors

The terms of appointment and compensation of the Directors are as follows:

Mrs. Paru M. Jaykrishna

Paru M. Jaykrishna has been appointed as the Chairperson and Managing Director of then company with effect from 1st November 2006, for a term of five years. The remuneration payable to her is as follows:

Salary:	Rs. 2,00,000/- per month (including perquisites but excluding commission)
Perquisites :	Perquisites and allowance of Rs. 10,80,000/- per annum.
	Housing
	Medical Reimbursements Expenses for Paru M. Jaykrishna and family.
	Leave Travel Concession for the Managing Director and her family once in a year .
	Personal Accident Insurance
	Contribution to Provident Fund and Superannuation fund and Gratuity fund.
	Car with Driver and Telephone at residence.

The Chairperson and Managing Director so long as she function as such shall not be paid any sitting fees for attending the meeting of the Board or Committees thereof.

Mr. Gokul M. Jaykrishna

Mr. Gokul M. Jaykrishna as Whole-time Director designated as Executive Director of the Company for a period of 5 years effective from 1st November, 2006 on the following terms and conditions:

Salary:	Rs. 1,00,000/- per month (including perquisites but excluding commission)
Commission	1% of the Company's Net Profit
Perquisites :	Perquisites and allowance of Rs. 5,40,000/- per annum.
	Housing
	Medical Reimbursements Expenses for Gokul M. Jaykrishna and family.

Leave Travel Concession for the Managing Director and his family once in a year .

Personal Accident Insurance

Contribution to Provident Fund and Superannuation fund and Gratuity fund.

Car with Driver and Telephone at residence

The Executive Director so long as he function as such shall not be paid any sitting fees for attending the meeting of the Board or Committees thereof.

Mr. Munjal M. Jaykrishna

Mr. Munjal M. Jaykrishna as Whole-time Director designated as Executive Director of the Company for a period of 5 years effective from 1st November, 2006 on the following terms and conditions:

Salary: Rs. 1,00,000/- per month (including perquisites but excluding commission)

Commission 1% of the Company's Net Profit

Perquisites : Perquisites and allowance of Rs. 5,40,000/- per annum.

Housing

Medical Reimbursemen Expenses for Munjal M. Jaykrishna and family.

Leave Travel Concession for the Managing Director and his family once in a year .

Personal Accident Insurance

Contribution to Provident Fund and Superannuation fund and Gratuity fund.

Car with Driver and Telephone at residence

The Executive Director so long as he function as such shall not be paid any sitting fees for attending the meeting of the Board or Committees thereof.

Sitting Fees

In the Board meeting held on 28.01.1996 it was resolved to pay the following sitting fees to our Directors:

Sl. No	Meeting of Directors	Fees Payable (in Rupees)
1.	Board Meeting	Rs. 750
2.	Committee Meetings	Rs. 500

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares with the Stock Exchanges. We are in compliance with the Corporate Governance Code in accordance to Clause 49 (as applicable) of the Listing Agreement to be entered into with the Stock Exchanges prior to the filing of the Red Herring Prospectus with the ROC and prior to the listing of our Equity Shares. The Board has eight Directors, of which the Chairperson of the Board is an executive Director. In compliance with the requirements of Clause 49 of the Listing Agreement, we have three executive Directors and four independent Directors on our Board. Further, the company has complied with SEBI guidelines in respect of Corporate Governance specially with respect to broad basing of board, constituting the committees such as Shareholding/ Investor Greivance Committee, etc.

Audit Committee

The Audit Committee was constituted by our Directors at their Board meeting held on November 28, 2006. The purpose of the audit committee is to ensure the objectivity, credibility and correctness of the Company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters. The audit committee consists of Mr. R.K. Sukhdevsinhji, Prof. Pradeep Jha, and Mr. H. K. Khan. The terms of reference of the audit committee are in accordance with the requirements under Clause 49 of the Listing Agreement

Remuneration Committee

The Remuneration Committee was constituted by our Directors at their Board meeting held on November 28, 2006. The Committee's goal is to ensure that the Company attracts and retains highly qualified employees in accordance with its business

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plans, that the Company fulfils its ethical and legal responsibilities to its employees, and that management compensation is appropriate. The Remuneration Committee consists of:

1. Mr. Arivind Goenka - Chairman of the Committee and Director
2. Mr H. K. Khan - Non-Executive Director
3. Prof. Pradeep Jha - Non-Executive Director

The terms of reference of the Remuneration Committee include the following:

- To determine the remuneration, review performance and decide on variable pay of executive Directors;
- Establishment and administration of employee compensation and benefit plans.

Shareholders Transfer and Grievances Committee

The Share Transfers and Investors Grievances Committee was constituted by our Directors vide their Board meeting held on November 28, 2006. The Shareholder's Grievance committee currently consists of:

1. Mrs. Paru M. Jaykrishna
2. Mr H. K. Khan
3. Prof. Pradeep Jha

The terms of reference of the Shareholders Transfer and Grievances Committee are as follows:

- Allotment of all types of securities to be issued by the Company;
- Transfer, transposition and transmission of securities;
- Dealing with complaints about non-receipt of declared dividend, non-receipt of Annual Repots etc;
- Investigate into other investors' complaints and take necessary steps for redressal thereof;
- To perform all functions relating to the interests of Shareholders/ Investors of the Company as may be required by the provisions of the Companies Act, 1956, Listing Agreements with Stock Exchanges and Guidelines issued by SEBI or any other Regulatory Authority;
- Authorize Company Secretary or other persons to take necessary action on the above matters;
- Appointment and fixation of remuneration to Registrar and Share transfer Agent and Depositories and to review their performance.

Shareholding of our Directors

Our Articles of Association do not require our Directors to hold any qualifying Equity Shares in our Company. The following table details the shareholding of our Directors in their personal capacity and either as sole or first holder.

Sr. No.	Name of the Shareholder	Shares Held	% of Total Equity Share Capital
1	Mrs. Paru M. Jayakrishna	3,926,600	51.10
2	Mr. Gokul M. Jayakrishna	1,000,000	13.01
3	Mr. Munjal M. Jayakrishna	1,000,000	13.01
	Total	4,926,600	77.12

Interest of Promoters, Directors and significant shareholders

Except as stated in the section titled "Related Party Transactions" on page 95 of this Red Herring Prospectus and to the extent of their shareholding in our Company, our Promoters do not have any other interest in our business.

No other persons apart from the Company have significant rights in our Company under the terms of our Articles of Association. For additional information, please refer to the section titled "Main Provisions of Articles of Association of Asahi Songwon Colors Limited" on page 150 of this Red Herring Prospectus.

The Directors of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the

ordinary course of business and to the extent of the Equity Shares held by them in the Company, or funds controlled by them, if any.

Except as stated in the section titled “Related Party Transaction” on page 95 of Red Herring Prospectus, we have not entered into any contract, agreement or arrangement during the preceding 2 years from the date of this Red Herring Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

Our Articles provide that our Directors and officers shall be indemnified by our Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgment in his favour or is acquitted in such proceeding.

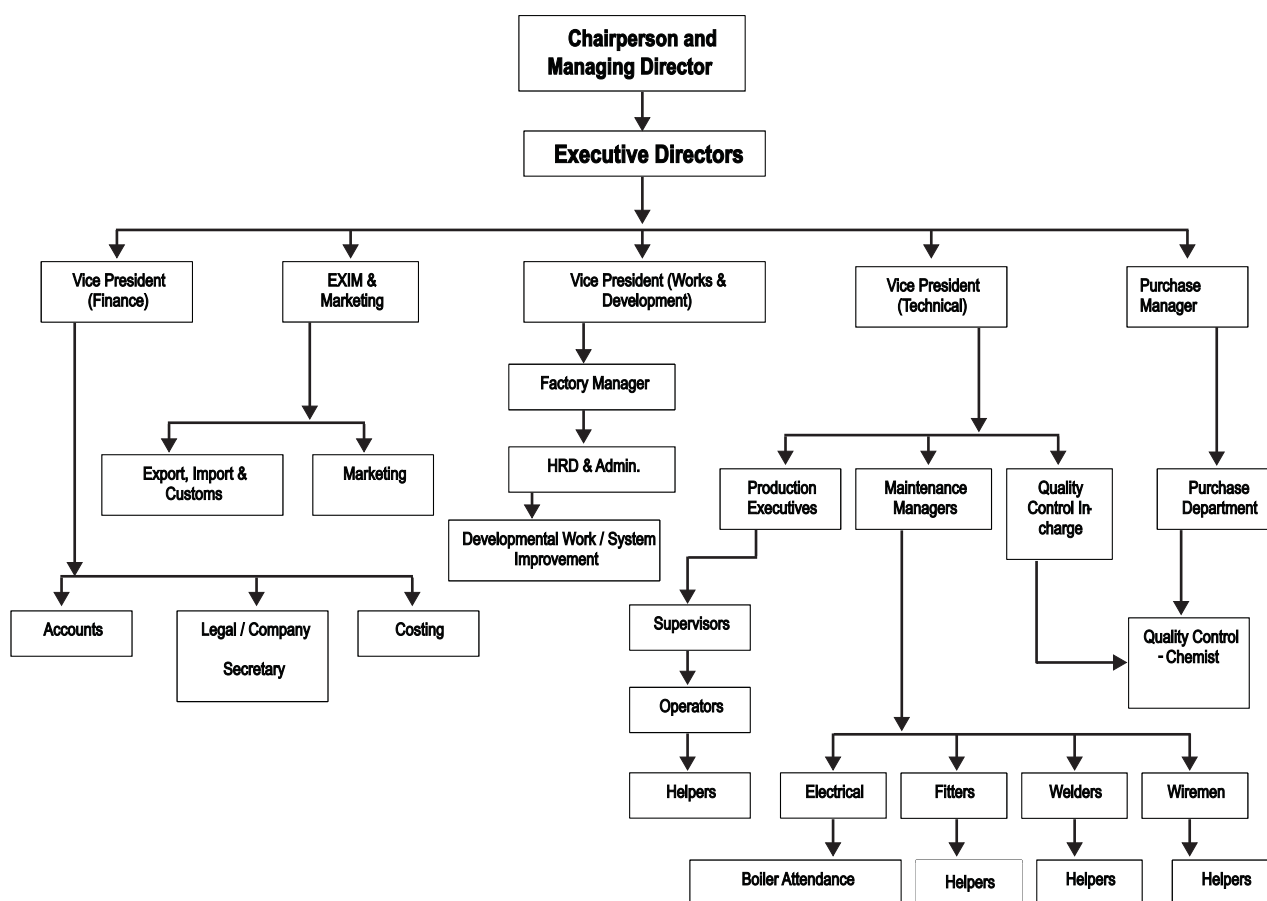
Changes to our Board of Directors during the last 3 years are as follows:

There were following changes in the board of directors during the last 3 years:

Name of Director	Nature of Change	Effective Date
Mr. Shrikant Jhaveri	Resignation	November 28, 2006
Mr. H.K. Khan	Joining	November 28, 2006

Management Organization Structure

The organization structure of the senior management is presented below:



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Key Managerial Personnel of our Company

Other than our Chairperson and Managing Director and our Executive Directors, our Key Managerial personnel are as below:

All the under mentioned key managerial personnel are permanent employees of our Company. The remuneration of each of our key personnel is as per the statement pursuant to Section 217(2A) of the Companies Act and the Companies (Particulars of Employees) Rules, 1975. The details of our key managerial personnel are as follows:

Mr. Ashok Kumar Pareek, 47 years, Vice President – Finance joined the company in May 2006 for the fund management, working capital and other finance related activities. He has earlier worked with Madhu Industries Ltd. as Finance Head. He has over 20 years of experience in the Finance, Taxation, Accounts, Commercial and General Management in textile and chemical industries. He is a Chartered Accountant. His annual remuneration is Rs. 470,000.

Mr. S. R. Dhoble, 55 years, Vice President – Works and Development joined the company in October 1995, for the technical development and new projects. He has earlier worked with Sudarshan Chemicals Ltd and G.I.T.C.O. as Senior Consultant. He has over 30 years of working experience. He is a Chemical Engineer. He is handling production, technical research and development, product application projects, etc. His annual remuneration is Rs. 429,000.

Mr. Sunil Mahajan, 39 years, Vice President – Technical and Research and Development joined the company in May 2003, for the Padra Plant / Pigment operations and R & D activities. He has earlier worked with Hebach Color Ltd as Head of R&D and laboratory. He has over 15 years of experience in the pigment industry. He is a M.Sc. in Org Chem.. He has a professional experience in research and development, new products and operations. His annual remuneration is Rs. 411,000.

Mr. Amit Upadhyay, 39 years, General Manager Commercial and EXIM, joined the company in December 2004. He has earlier worked with Atul Limited as Manager Commercial. He has over 15 years of working experience. He is a B.Sc. Physics, PGDCA. His annual remuneration is Rs. 393,000.

Mr. Chandrakant R. Raval, 55 years, Manager Accounts, joined the company in April 1996. He has earlier worked with Computer Skill Ltd. as Accounts Officer. He has over 25 years of working experience. He is a B.Com. His annual remuneration is Rs. 283,000.

Mr. Deepak Kumar Dash, 27 years, Company Secretary, joined the company in August 2006. He has earlier worked with Advatech Cera Tiles as Assistant C.S. and Assistant manager HR. He has over 3 years of working experience. He is a C.S., L.L.B., and B.com. His annual remuneration is Rs. 252,000.

Mr. Ashok Kumar Nayak, 46 years, Factory Manager, Baroda joined the company in August 1996. He has earlier worked with Parle Product Ltd as Manager Administration. He has over 20 years of working experience. He is a B.Com. First-Aid. His annual remuneration is Rs. 282,000.

Mr. Bhailalbhai B Sadhu, 56 years, Factory Manager, Chhatral joined the company in September 1994. He has earlier worked with Torrent Cables as Executive Engineer. He has over 30 years of working experience. He is a DME. His annual remuneration is Rs. 283,000.

Mr. Alpesh Shah, 34 years, Maintenance Manager (Blue division), joined the company in July 2005. He has earlier worked with Metrochem India Limited as Project Manager. He has over 10 years of working experience. He is a Diploma in Mechanical Engineer. His annual remuneration is Rs. 290,000.

Mr. K.K.Magar, 34 years, Production Manager (Blue Division), joined the company in October 2004. He has earlier worked with Heubach Color Private Ltd as Production officer. He has over 10 years of working experience. He is a B.E. Chemical. His annual remuneration is Rs. 279,000.

Mr. Ashok Barot, 38 years, Senior Manager Technical Services, joined the company in July 2004. He has earlier worked with AksharChem India Ltd as Lab. Chemist. He has over 15 years of working experience. He is a M.Sc. Chemistry. His annual remuneration is Rs. 231,000.

Mr. A.R.Butala, 45 years, Quality Control Manager (Green Division), joined the company in December 2005. He has earlier worked with Color Chem Ltd (Clariant) as Asst. Manager QA. He has over 22 years of working experience. He is a M.Sc.Org. Chem. His annual remuneration is Rs. 228,000.

Mr. M.R.Shah, 40 years, Production Manager (Green Division), joined the company in January 1995. He has earlier worked with Media Chemical Vatva and Surendranagar. as Shift Chemist. He has over 17 years of working experience. He is a B.Sc. Chemistry. His annual remuneration is Rs.232,000.

Mr. Sunil Patel, 31 years, Maintenance Manager (Green Division), joined the company in April 2006. He has earlier worked with Sanoli Intermediates Ltd as HOD Operation & Maint of Plant equipment. He has over 9 years of working experience. He is a B.E. Mechanical. His annual remuneration is Rs. 295,000.

Shareholding of Key Managerial Personnel in our Company

Our key managerial personnel do not hold any shares of our company.

Bonus or Profit Sharing Plan for Our Key Managerial Personnel

We do not have any bonus or profit sharing plan for our key managerial personnel.

Employee Stock Option Structure

Our Company has not introduced any Employee Stock Option Scheme / Employee Stock Purchase Scheme.

Interest of Key Managerial Personnel

The key managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business.

[Except as stated in the section titled “Related Party Transaction” on page 95 of this Red Herring Prospectus, we have not entered into any contract, agreement or arrangement during the preceding 2 years from the date of this Red Herring Prospectus in which the key managerial personnel are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.]

Changes in our Key Managerial Personnel during the last one year

Sr. No.	Name	Designation	Date of Joining	Date of Cessation
1	Mr. Alpesh Shah	Maintenance Manager (Blue Div.)	July 21, 2005	-
2	Mr. A R Butala	QC Manager (Green Div.)	December 01, 2005	-
3	Mr. Sunil Patel	Maintenance Manager (Green Div.)	April 20, 2006	-
4	Mr. Ashok Kumar Pareek	Vice President (Finance)	May 25, 2006	-
5	Mr. Deepak Kumar Dash	Company Secretary	August 11, 2006	-

None of our Directors and key managerial personnel, except Mrs. Paru M. Jaykrishna, Mr. Gokul M. Jaykrishna, and Mr. Munjal M. Jaykrishna has any family relation between them. Except to the extent of nomination of directors by major shareholders by our Company there is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any director or key managerial personnel was selected.

OUR PROMOTERS AND THEIR BACKGROUND

Our Company has been promoted by the following three individual Promoters:

	Mrs. Paru Mrugesh Jaykrishna, 63 years, is the promoter of our company. Mrs. Paru is having 35 years of experience in the business. She is also the Founder of AksharChem (India), Skyjet Aviation Pvt. Ltd. She is being first lady appointed as a Vice president and Executive member of Gujarat Chamber of Commerce and Industry. She is a B.A. with Philosophy, a Sanskrit, M.A. with English Literature and LL.B. Her PAN Number is ADIPJ9354P, Her passport number is 2/1025073, Driving License number : GJ01/04502/04
	Mr. Gokul M. Jaykrishna, 38 years, He is promoter of our company and director in AksharChem (India) Ltd, Skyjet Aviation Pvt. Ltd. He was working in Krieger Associates, New Jersey, USA one of the most influential currency and currency option traders for a year. He is a Major in Finance from Lehigh university, Bethlehem, and Bachelors of Science in economics from university of Pennsylvania. His PAN Number isAAPPJ6914K,His passport Number is 2/1024391, Driving license number: GJ01/611384/01
	Mr. Munjal M. Jaykrishna, 36 years, from 1991 onwards is in charge of complete operation of the company including Production, Marketing, and Quality Control of ASCL. He was working in Bank of California, San Francisco as a Financial Analyst, Paragon Knits, Bethlehem as a Consultant. He is a B.S. in business and Economics from Lehigh university, Bethlehem. He is a project director of Red Cross Fund raiser. He is director in AksharChem (India) Ltd., Skyjet Aviation Private Limited. His PAN Number is ABBPJ5977F, His Passport Number is 2/1024012, Driving License number: GJ01/165511/06

For details of the terms of appointment of Mrs. Paru M. Jaykrishna, Mr. Gokul M. Jaykrishna, Mr. Munjal M. Jaykrishna as our Directors, see the section titled "Our Management" beginning on page 69 of this Red Herring Prospectus.

Common pursuits

We do not have any common pursuits or conflicts of interest (apart from the related party transactions) within the promoter groups of the aforesaid companies.

Interest in promotion of Our Company

All the promoters and directors may be deemed to be interested to the extent of reimbursement of expenses, if any, payable to them under the articles of association. They may also be deemed to be interested to the extent of the shares, if any, held by them or by relatives or by firms or companies of which any of them is partner and the director/ member.

Payment of benefits to our Promoters during the last two years

Except as stated in the section titled "Related Party Transactions" beginning on page 95 of this Red Herring Prospectus, there has been no payment of benefits to our Promoters during the last two years from the date of filing of this Red Herring Prospectus.

Other Confirmations

We confirm that the details of the permanent account numbers, bank account numbers and passport numbers of our Promoters, Mrs. Paru M. Jaykrishna, Mr. Gokul M. Jaykrishna, Mr. Munjal M. Jaykrishna namely, have been submitted to the Stock Exchanges at the time of filing this Red Herring Prospectus with the Stock Exchanges. Further, we confirm that the Permanent Account Numbers, Bank Account Numbers, the Company Registration Numbers and the address of the ROC where Asahi Songwon Colors Ltd. is registered have been submitted to the Stock Exchanges on which our securities are proposed to be listed. Further, our Promoters have confirmed that they have not been detained as willful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

Related Party Transactions

For details please refer to the Annexure titled 'Related Party Transactions' in the section titled "Financial Statements" beginning on page 95 of this Red Herring Prospectus.

OUR PROMOTER GROUP ENTITIES

Our Promoters, Mrs. Paru M. Jaykrishna, Mr Gokul M. Jaykrishna and Mr. Munjal M. Jaykrishna have direct and indirect ownership control. Financial data for each group company has been derived from their financial statements prepared in accordance with Indian GAAP.

The details of the aforesaid Indian promoter group companies have been described in the following order:

- A. AksharChem (India) Limited
- B. Skyjet Aviation Private Limited
- C. Intercon Finance Private Limited
- D. H K Investments Private Limited
- E. Yamini Investments Company Limited

A. AksharChem (India) Limited.

It was incorporated on July 04, 1989 [formerly named as Audichem (India) Private Limited. On 25th February, 1994 the name changed to Audichem (India) Limited and on 21st March, 2005, its name changed to AksharChem (India) Ltd.]. It was listed on the stock exchange Mumbai and Ahmedabad in the year 1994. It is engaged in the business of manufacture of Vinyl Sulphone Parabase – a dye intermediate which is used as raw materials in the manufacture of reactive dyestuff

Share holding pattern as on December 31, 2006.

Sr. No.	Name of Shareholders	No. of shareholders	No. of Equity Shares	% on total
	Promoters & Promoters Group			
1	Mrs. Paru M. Jaykrishna	1	853271	25.08
2	Mr. Munjal M. Jaykrishna	1	347030	10.20
3	Mr. Gokul M. Jaykrishna	1	346983	10.20
4	Intercon Finance Pvt. Ltd.	1	323722	9.51
	Non-Promoters			
5	Mutual funds / UTI	1	5900	0.17
6	Bodies Corporate	76	103708	3.14
7.	NRI / OCBs	5	15911	0.47
8.	Individuals	5552	1403067	41.18
9.	Clearing Members / House	6	3258	0.05
	Total	5644	3402850	100.00

Source: Data as generated through NSDL & CDSL provided by Registrar

Board of Directors

The directors on the board of AksharChem (India) Ltd. as on December 31, 2006 are:

1. Mrs. Paru M. Jaykrishna - Chairperson & Managing Director
2. Prof. Pradeep Jha
3. Mr. Prafulchandra V. Patel
4. Mr. Kiran J. Mehta
5. Mr. Gokul M. Jaykrishna - Executive Director
6. Mr. Munjal M. Jaykrishna

ASAHI SONGWON COLORS LIMITED

The operating results of Aksharchem (India) Limited for the last three years are set forth below::

(Rs. in millions)

Particulars	Audited 2003-04	Audited 2004-05	Audited 2005-06
Sales & Other Income	226.86	336.33	278.38
PAT	0.16	5.55	0.05
Equity Share Capital	34.03	34.03	34.03
Reserves *	74.75	75.87	74.11
EPS(Rs.)	0.05	1.63	0.015
Net Worth	108.78	109.90	108.14
Book Value (Rs.)	31.97	32.30	31.78

* Net of revaluation reserves and misc. expenditure not written off

Highest and lowest price on Bombay Stock Exchange share quotation in the last six months.

Month	High (Rs)	Low (Rs)
October 2006	16.25	12.25
November 2006	15.25	10.30
December 2006	15.95	10.20
January 2007	13.55	10.65
February 2007	13.90	12.00
March 2007	18.30	11.80

Source: Capitaline

AksharChem (India) Limited has not been able to perform as promised in its public issue document. The promise v/s. performance is as under:

(Rs. In Millions)

Financial Period Ending	Turnover		Profit after Tax	
	* Promise	Performance	* Promise	Performance
9 months ended December, 1993	63.51	26.88	3.53	0.95
15 months ended March 1995	149.69	32.97	12.01	2.81
15 months ended June, 1996	214.26	40.24	22.45	2.47
9 months ended March, 1997	128.52	209.15	13.49	7.37
Year ended March 1998	171.36	307.90	18.11	13.02

* the figures have been proportionately adjusted according to the financial period.

B. Skyjet Aviation Pvt. Ltd.

It was incorporated on April 23, 1979 with its registered office at 36, Vakil Chamber, Laldarwaja, Ahmedabad – 380 001, Gujarat. It is engaged in the business of travel agency and is an IATA approved travel agent

Share holding pattern: (Equity) as of December 31, 2006

Sr. No.	Name of Shareholders	No. of Equity Shares	% of Total
1	Paru M Jaykrishna	96	91.43%
2	Preeti V. Mehta	2	1.90%
3	Chadrakant S.Amin	5	4.76%
4	Kushal V.Mehta	1	0.95%
5	Nilia S.Patel	1	0.95%
	Total	105	100.00%

Share holding pattern: (Preference Share-Cummulative) as of December 31, 2006

Sr. No.	Name of Shareholders	No. of Equity Shares	% on total
1.	Dhanpal J.Shah	150	50%
2.	Chadrakant S.Amin	150	50%
	Total	300	100%

Board of Directors as of December 31, 2006

The directors on the board of Skyjet Aviation Pvt. Ltd. as on December 31, 2006 are:

1. Mrs. Paru M. Jaykrishna
2. Mr. Mrugesh Jaykrishna
3. Mr. Gokul M. Jaykrishna
4. Mr. Munjal M. Jaykrishna

The operating results of Skyjet Aviation Pvt. Limited for the last three years are set forth below:

(Rs. In lacs)

Particulars	Audited 2002-03	Audited 2003-04	Audited 2004-05	Audited 2005-06
Sales & Other Income	12.44	10.96	8.22	5.57
PAT	0.32	0.46	0.19	-2.32
Equity Share Capital	1.05	1.05	1.05	1.05
Reserves *	1.03	1.49	0.81	-1.51
EPS(Rs.) (of Rs. 1000 each)	304.76	438.10	180.95	-
Net Worth	5.08	5.54	4.86	2.54
Book Value (Rs.) (of Rs.1000 each)	4838.10	5276.19	4628.57	2419.05

* Net of revaluation reserves and misc. expenditure not written off

This company is unlisted and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA and it is not under winding up.

C. Intercon Finance (P) Ltd.

It was incorporated on February 17, 1994 and its Registered office at 36, Vakil Chamber, Laldarwaja, Ahmedabad – 380 001, Gujarat. It is engaged in the business of making investments in Company.

ASAHI SONGWON COLORS LIMITED

Board of Directors as on December 31, 2006 are as under:

1. Mrs. Paru M. Jaykrishna
2. Mr. Mrugesh Jaykrishna
3. Mr. Gokul M. Jaykrishna
4. Mr. Munjal M. Jaykrishna

Share holding pattern as on December 31, 2006:

Sr. No	Name of Shareholders	No. of Equity Shares	% on total
1	Paru M Jaykrishna	5001	50 %
2	Radhika G Jaykrishna	2501	25 %
3	Sejal M Jaykrishna	2501	25 %
	Total	10003	100 %

The operating results of Intercon Finance (P) Limited for the last three years are set forth below:

(Rs . In Lacs)

Particulars	Audited 2002-03	Audited 2003-04	Audited 2004-05	Audited 2005-06
Sales & Other Income	0.00	0.01	9.33	4.52
PAT	-0.18	-0.80	0.33	4.33
Equity Share Capital	1.00	1.00	1.00	1.00
Reserves *	2.17	1.37	1.71	6.04
EPS(Rs.) (of Rs. 10 each)	-	-	3.32	43.30
Net Worth	3.17	2.37	2.71	7.04
Book Value(Rs.)(of Rs.10 each)	31.70	23.73	27.06	70.38

* Net of revaluation reserves and misc. expenditure not written off.

This company is unlisted and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA and it is not under winding up.

D. H. K. Investment Co. Pvt. Ltd.

It was incorporated on April 10, 1950 with its registered office at 504 A-B, Sahajanand Shopping Centre Shahibaug, Ahmedabad – 380 004. It is engaged in the business of making investments in companies.

Board of Directors as on December 31, 2006 are as under:

1. Smt. Padma Jaykrishna
2. Shri Mrugesh Jaykrishna
3. Shri Rajesh Jaykrishna

Shareholding Pattern of H. K. Investment Company Private Limited

Sr. No.	Name of Shareholders	No. of Shares	Face Value of Shares	% of shareholding
1	Mrugesh Jaykrishna	834	83400	16.68
2	Paru M. Jaykrishna	550	55000	11.00
3	Gokul M. Jaykrishna	566	56600	11.32
4	Munjal M. Jaykrishna	550	55000	11.00
5	Rajesh Jaykrishna	817	81700	16.34
6	Devesh Jaykrishna	1683	168300	33.66
	TOTAL	5000	500000	100.00

The operating results of H. K. Investments Co. Pvt. Ltd. for the last three years are set forth below:

(Rs. In lacs)

Particulars	Audited 2002-03	Audited 2003-04	Audited 2004-05	Audited 2005-06
Income	0.03	0.03	0.07	0.03
PAT	-1.25	-0.38	-0.33	-0.30
Equity Share Capital	5.00	5.00	5.00	5.00
Reserves *	34.76	34.76	34.76	34.76
EPS (Rs.)	-	-	-	-
Net Worth	39.76	39.76	39.76	39.76
Book Value per share of Rs. 100/-	795.2	795.20	795.20	795.20

This company is unlisted and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA and it is not under winding up.

E. Yamini Investments Co. Ltd.

It was incorporated on January 17, 1983 as a public company with its registered office at 5b, Vulcan Insurance Building, Veer Nariman Road, Churchgate, Mumbai – 400 020. It is engaged in the business of making investments in companies.

Board of Directors

1. Mr. Shantilal M. Patel
2. Mr. Jayesh K. Shah
3. Mr. Samir D. Joshi

Share holding pattern:

Shareholding Pattern of Yamini Investments Company Limited as on 31.03.06

Sr. No.	Name of Shareholders	No. of Shares	Face Value of Shares	%
1	Aprimita Trust	18300	183000	7.63
2	Avantika Trust	18300	183000	7.63
3	Padma Jaykrishna	2400	24000	1.00
4	Gokul M. Jaykrishna	29850	298500	12.44
5	Munjal M. Jaykrishna	29850	298500	12.44
6	Rajesh Jaykrishna	19900	199000	8.29
7	Devesh R. Jaykrishna	19900	199000	8.29
8	Shivani R. Jaykrishna	19900	199000	8.29
9	Urmi Inv. & Trad. Co. Pvt. Ltd.	57600	576000	24.00
10	Anugraha Chemicals Pvt. Ltd.	12000	120000	5.00
11	Ananta Chem. & Plas. Pvt. Ltd.	12000	120000	5.00
	TOTAL	240000	2400000	100.00

ASAHI SONGWON COLORS LIMITED

The operating results of Yamini Investments Co. Ltd. for the last three years are set forth below:

(Rs. In lacs)

Particulars	Audited 2003-04	Audited 2004-05	Audited 2005-06
Income	Nil	0.03	0.18
PAT	-0.28	-0.21	-0.14
Equity Share Capital	24	24	24
Reserves	-3.64	-3.46	-3.60
EPS(Rs.)	-	-	-
Net Worth	20.36	20.54	20.40
Book Value per share of Rs. 10/-	8.48	8.56	8.50

This company is unlisted and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA and it is not under winding up.

The Promoters have not dissociated from any of its group companies in the last last three years except Yamini Investments Company Limited as Mr. Gokul M. Jaykrishna and Mr. Munjal M. Jaykrishna have since sold their shareholding in the company and hence Yamini Investments Co. Ltd. ceases to be a part of the Promoter Group.

Group companies making losses

The following companies forming part of the Promoter group of companies have accumulated losses:

Rs. in lacs

Name of the Company	Loss for the year ended March 31,			Accumulated losses As on March 31,		
	Audited 2006	Audited 2005	Audited 2004	Audited 2006	Audited 2005	Audited 2004
Skyjet Aviation Private Ltd.	2.32	-	-	1.52	-	-
Intercon Finance Private Ltd.	-	-	0.80	-	-	-
H. K. Investment Co. Pvt. Ltd.	0.30	0.33	0.38	1.07	0.78	8.05
Yamini Investments Co. Ltd.	0.14	0.21	0.28	3.60	3.46	3.64

Group Companies with negative network

None of the companies forming part of the Promoter group of companies have a negative net worth.

DIVIDEND POLICY

The declaration and payment of dividends on our equity shares will be recommended by our Board of Directors and approved by our Shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial conditions. The dividend and dividend tax paid by our company during the last five fiscal years is presented below:

Particulars	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
No. of equity shares (million)	38.42	38.42	38.42	38.42	38.42
Rate of Dividend (%)					
Interim	-	-	-	-	10%
Final	10%	10%	10%	25%	50%
Amount of Dividend (Rs. Million) :					
Interim	-	-	-	-	3.84
Final	3.84	3.84	3.84	9.61	19.21
Total Dividend tax relating to equity shares (Rs. Million)	0.54	0.54	0.49	1.23	2.35

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

As per the terms and conditions of SBI for sanctioning working capital and term loan facilities, our company is required to take prior consent in writing from the bank for declaring dividend.

SECTION V : FINANCIAL STATEMENTS

AUDITORS' REPORT

April 12, 2007

To

The Board of Directors

Asahi Songwon Colors Limited

"Asahi House"

Chhatral-Kadi Road,

Indrad – 382 721

Mehsana (N.G)

India

At your request, we Trushit Chokshi & Associates, Chartered Accountants ('TCA') auditors of Asahi Songwon Colors Limited ('ASCL' or 'the Company') have examined the financial information annexed to this report which has been prepared in accordance with the requirements of:

- a. Paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
- b. The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') and the related clarifications issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 as amended by circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005, in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992;
- c. The terms of reference received from the Company, requesting us to carry out work, proposed to be included in the Issue Document of the Company in connection with its proposed Initial Public Issue ('IPO'); and
- d. The Guidance Note on Reports in Company Prospectuses and Guidance Note on Audit Reports/Certificates on Financial Information in Issue Documents issued by the Institute of Chartered Accountants of India ('ICAI').

Financial information as per audited financial statements

1. We have examined the attached restated summary statement of assets and liabilities of the Company as at March 31, 2002, 2003, 2004, 2005, 2006, and December 31, 2006 and the attached restated summary statement of profits and losses for the years ended on those dates ('Summary Statements') (See Annexure I and II) as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes on adjustments appearing in Annexure III to this report. These Summary Statements have been extracted from the financial statements for the years and period ended 31st March, 2002, 31st March, 2003, 31st March, 2004, 31st March, 2005 and 31st March 2006, and Nine months ended 31st December, 2006 audited by us and have been adopted by the members for the respective years.

Based on our examination of these Summary Statements, we confirm that:

- The impact arising on account of changes in accounting policies and estimates adopted by the Company as at and for the Nine month period ended December 31, 2006 have been adjusted with retrospective effect in the attached Summary Statements;
- The prior period items have been adjusted in the Summary Statements in the years to which they relate;
- There are no extraordinary items which need to be disclosed separately in the Summary Statements; and
- There are no qualifications in the auditors' reports, which require any adjustments to the Summary Statements.

2. The summary of significant accounting policies adopted by the Company pertaining to the audited financial statements for the Nine month Period ended December 31, 2006 are enclosed as part of Annexure III to this report.

3. Other Financial Information

At your request, we have also examined the following other financial information of the Company proposed to be included in the Issue Document as approved by you and annexed to this report:

4. Details of other financial information examined Annexure reference

Appendix 1	-	Summary of Restated Profit & Loss Account
Appendix 2	-	Summary of Restated Assets & Liabilities
Appendix 3	-	Significant Accounting Policies and Notes to the accounts
Appendix 4	-	Details of Contingent Liabilities
Appendix 5	-	Details of Capital Commitments
Appendix 6	-	Details of Deferred Tax Liability (Net)
Annexure-A	-	Statement of Dividend Declared
Annexure-B	-	Restated Cash flow statement
Annexure-C	-	Details of Related Party Transactions
Annexure-D	-	Details of Other Income
Annexure-E	-	Summary of Accounting Ratios
Annexure-F	-	Statement of Secured Loans and Statement of Unsecured Loans
Annexure-G	-	Details of Sundry Debtors
Annexure-H	-	Details of Loan and Advances
Annexure-I	-	Capitalisation Statement
Annexure-J	-	Statement of Tax Shelter

5. In our view, the financial information as per audited financial statements and other financial information mentioned above have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.

6. This report should not be in any way construed as a reissuance or redating of any of the previous audit reports issued by us nor should this report be construed as a new opinion on any of the financial statements referred to herein.

7. This report is intended solely for your information and for inclusion in the issue document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For M/s. TRUSHIT CHOKSHI & ASSOCIATES
Chartered Accountants

Sd/-

Trushit Chokshi
Proprietor
Membership No. 40847
Ahmedabad

April 12, 2007

ASAHI SONGWON COLORS LIMITED
Appendix 1 - Summary of Restated Assets & Liabilities
Rs. In Millions

		As at Dec. 31, 2006	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
I.	Fixed Assets						
	Gross Block	257.80	250.52	219.03	96.54	89.57	87.74
	Less : Depreciation	44.44	35.72	27.94	21.83	18.06	16.31
	Net Block	213.37	214.80	191.09	74.72	71.51	71.44
	Capital Work-in-Progress	21.10	6.74	3.25	3.43		1.43
	Total	234.46	221.54	194.34	78.15	71.51	72.86
II	Current Assets, Loans and Advances						
	Sundry Debtors	203.76	90.43	87.48	68.05	30.11	29.50
	Cash and Bank Balances	11.94	9.24	5.52	3.34	3.76	6.35
	Other Current Assets	89.50	79.29	42.03	27.61	34.35	27.21
	Loans and Advances	84.12	55.24	48.26	36.35	27.12	16.72
	Total	389.32	234.20	183.30	135.35	95.35	79.78
III	Less : Liabilities and Provisions						
	Current Liabilities and Provisions	124.24	76.94	74.70	56.06	22.04	8.27
	Secured Loans	234.47	189.23	140.26	70.05	43.36	53.72
	Unsecured Loans	87.41	79.86	68.62	0.00	20.87	24.98
	Deferred Tax (Asset)/Liability (net)	7.54	6.640	6.56	6.49	6	0.00
	Total	453.65	352.66	290.14	132.60	92.27	86.97
	Net Worth (I+II-III)	170.14	103.07	87.51	80.90	74.59	65.67
	Net Worth represented by:						
IV	Equity Share Capital	76.85	38.42	38.42	38.42	38.42	38.42
V	Reserves and Surplus						
	Capital Reserve	2.50	2.50	2.50	2.50	2.50	2.50
	Share Premium	0.27	0.27	0.27	0.27	0.27	0.27
	General Reserve	11.20	49.63	7.62	5.62	3.63	7.00
	Profit and Loss Account	94.90	20.57	40.12	34.54	30.39	18.26
	Miscellaneous Expenditure to written off	15.58	8.31	1.44	0.48	0.64	0.79
	Total	93.29	64.66	49.07	42.45	36.15	27.24
VI	Net Worth (IV+V)	170.14	103.07	87.51	80.90	74.59	65.67

Note: The accompanying significant accounting policies and notes are an integral part of this statement

Appendix 2 -Summary of Restated Profit & Loss Account

Rs. In Millions

		9 Months Period ended Dece. 31, 2006	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
I.	Income						
	From Manufacturing	521.62	200.44	126.3	102.31	159.31	127.76
	From Trading	5.91	32.42	265.3	188.67	0.02	7.99
	Export Incentive	4.48	11.1	24.96	31.25	10.11	7.03
	Operating Income	532.01	243.96	416.56	322.23	169.44	142.78
	Other Income	1.58	0.51	0.17	0.37	0.34	0.05
	Increase / (Decrease) in Stock	-3.67	34.60	4.66	-4.98	6.51	6.21
		529.92	279.07	421.39	317.62	176.29	149.04
II.	Expenditure						
	Goods Purchase for Resale	5.89	29.38	267.70	205.42	4.92	6.23
	Raw Material Consumption	338.69	156.77	84.22	51.40	89.35	69.53
	Employee Remuneration and Benefits	6.65	4.15	4.08	3.36	2.62	2.07
	Power & Fuel	27.51	14.45	10.11	7.59	11.31	9.49
	Stores & Spares	2.98	2.19	2.73	1.99	2.51	2.82
	Selling Expenses & Distribution Exp.	15.00	9.49	13.41	10.57	5.98	5.63
	Other Manufacturing & Adm. Exp.	24.05	13.91	16.01	15.93	18.92	18.06
	Finance Charges	16.71	10.36	3.65	2.72	3.45	4.04
	Depreciation	8.89	7.81	6.10	3.76	3.79	3.28
	(Profit)/Loss On Sales of Assets	0.16	-0.002	0.16		2.49	
	Amortisation of Miscellaneous Expenditure (net)	0.78	0.73	0.16	0.16	0.16	0.16
		447.33	249.25	408.32	302.91	145.49	121.31
III.	Profit Before Taxation	82.59	29.82	13.07	14.71	30.80	27.72
	Provision for Taxation						
	- Current	7.35	3.25	1.05	3.80	5.20	1.85
	- Deferred	0.90	0.08	0.07	0.48	0.63	0.00
IV.	Profit After Taxation as per audited statement of accounts (A)	74.33	26.49	11.95	10.43	24.97	25.87
	Impact on account of material adjustments and prior period items (Refer note III(ii)(1)(c))	0.000	-0.506	-0.02	-0.09	0.000	-0.003
	Total Adjustments	0.000	-0.506	-0.02	-0.09	0.000	-0.003

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	9 Months Period ended Dece. 31, 2006	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Tax impact on adjustments	0.0000	-0.1703	-0.0072	-0.0331	0.0000	-0.0011
Total adjustments net of tax impact (B)	0.00	-0.34	-0.01	-0.06	0.00	-0.002
V. Adjusted Profit/(Loss)(A-B)	74.33	26.83	11.96	10.49	24.97	25.88
Surplus / (Deficit) brought forward from Previous Year	20.57	40.12	34.54	30.39	18.26	18.79
VI. Profit Available for Appropriation	94.90	66.95	46.50	40.88	43.23	44.66
Proposed Equity Dividend / Interim Dividend	0	3.84	3.84	3.84	9.61	23.05
Tax on Dividend	0	0.54	0.54	0.49	1.23	2.35
Transfer to General Reserve	0	42.00	2.00	2.00	2.00	1.00
VII. Adjusted Available surplus /(deficit) carried to Balance Sheet	94.90	20.57	40.12	34.54	30.39	18.26

Note: The accompanying significant accounting policies and notes are an integral part of this statement

Appendix 3 - Significant Accounting Policies and Notes to Accounts

1) Basis for preparation of Accounts:

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

2) Revenue Recognition:

Sales are recognized when goods are supplied and are recorded net of trade discounts, rebates and sales taxes but include, wherever applicable, export incentives such as duty drawbacks and premiums on sale of import licenses.

Exports benefits / incentives are accounted on accrual basis. Accordingly, estimated DEPB benefits against exports affected during the period are taken into Account as estimated incentives accrued till the end of the period. In case of license not revalidated after the date of expiry, the proportionate export benefit / incentive taken credit in earlier years (s) is written off in the year of expiry of license and / or changes made by the Central Government during the period in the rate of tariff of Import Duty.

Incomes from services rendered are booked based on agreements/arrangements with the concerned parties.

Interest on investments are booked on time proportion basis taking into account the amounts invested and the rate of interest, and adjusted against the relevant cost of the source of investment.

3) Expenditure:

Expenses are accounted for on accrual basis and provision is made for all known losses and liabilities.

4) Research & Development:

Revenue expenditure on research and development is charged against the profit of the year in which it is incurred.

Capital expenditure on research and development is shown as an addition to fixed assets.

5) Fixed Assets:

Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition or construction is inclusive of purchase price, duties, levies, and any directly attributable cost of bringing the asset to its working condition for the intended use.

Depreciation is provided on the straight-line method and at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

Assets identified and evaluated technically as obsolete and held for disposal are stated at their estimated net realizable values.

6) Inventories:

Inventories are valued at the lower of cost, computed on FIFO basis, and estimated net realizable value, after providing for cost of obsolescence and other anticipated losses, wherever considered necessary. Finished goods and work-in-progress include cost, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

7) Sundry Debtors and Loans and Advances:

Sundry debtors and Loans and Advances are stated at realizable value.

8) Retirement / Post Retirement Benefits:

Contributions to defined contribution schemes such as Provident Fund and Family Pension Fund are charged to the Profit and Loss Account as incurred. The Company also provides retirement/post-retirement benefits in the form of pensions, leave encashment and medical. Such benefits are provided on actual basis. Gratuity is provided on accrual bases.

9) Foreign Currency Translation:

- a) Foreign Currency loans in respect of fixed assets are translated at exchange rate prevalent on the last date of accounting year in which such fixed assets are installed. Any loss or gain arising on repayment of such loans is accounted in the accounting year of repayment of the installment is added to / deducted from the cost of assets in the year of payment of installments.

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b) Current assets and liabilities in foreign currency outstanding at the close of the year are valued at the contracted and / or exchange rate at the close of the year. The loss or gain due to fluctuation of exchange rates is charged to Profit & Loss Account.

c) Investments outside India are carried in the Balance Sheet at the rates prevailing on the date of the transactions.

10) Current Liabilities and provisions:

Statutory Liabilities and Provisions for Direct and Indirect Taxes as well as Gratuity are provided on accrual basis. Creditors are shown net of Advances of the same group.

NOTES TO THE ACCOUNTS

1. Adjustments / Regroupings arising out of change in accounting policies and prior period items.

(Rs. in Millions)

Particulars	Nine month Period ended December 31, 2006	Year ended March 31,2006	Year ended March 31,2005	Year ended March 31,2004	Year ended March 31,2003	Year ended March 31,2002
Profit after tax as per audited financial statements – (A)	75.11	27.22	12.11	10.59	25.13	26.03
Adjustments on account of:						
I) Change in accounting policies	N.A	N.A	N.A	N.A	N.A	N.A
a) Miscellaneous Expenditure [Note (a) below]	0.78	0.73	0.16	0.16	0.16	0.16
Tax impact on adjustments						
Total Adjustments net of tax impact – (B)	0	0	0	0	0	0
II) Audit Qualifications						
a) Borrowing Cost included in cost of investments [Note (b) below]	N.A	N.A	N.A	N.A	N.A	N.A
Tax impact on adjustments						
Total Adjustments net of tax impact – (C)	0	0	0	0	0	0
III) Prior period items [Note (c) below]						
a) Prior period expenses	0	0.073	0.018	0.024	0	0.007
b) Prior period incomes	0	0.579	0.038	0.117	0	0.0100
	0.000	-0.506	-0.020	-0.092	0.000	-0.003
Tax impact on adjustments [Note (d) below]	0	-0.1703	-0.0072	-0.0331	0	-0.0011
Total Adjustments net of tax impact – (D)	0	-0.34	-0.01	-0.06	0	-0.002
Total of Adjustments - Net of tax impact – (E) = (B+C+D)	0	-0.34	-0.01	-0.06	0	-0.002
Adjusted Profit (A+E)	75.11	26.88	12.10	10.53	25.13	26.03

Appendix 4 - Details of Contingent Liabilities

(Rs. in Millions)

Particulars	9 Months ended December 31, 2006	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Bank Guarantees Outstanding	4.42	2.67	2.42	0.1	1.19	0.73
Sundry Debtors included Bills Discounted but not realized	14.32	-	-	-	-	-
Income Tax matters	9.96	4.81	2.54	5.53	2.16	0.41
Sales Tax Matters	-	-	-	-	-	-
Disputed Liabilities for Electric Power Bill raised by GEB	-	-	-	-	3.45	3.45

Appendix 5 - Details of Capital Commitments

(Rs. in Millions)

Particulars	As at December 31, 2006	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Estimated value of contracts remaining to be executed on capital account, not provided for (net of advances)	12.12	9.99	11.11	32.67	-	2.29

Appendix 6 -Details of Deferred Tax Liability (Net)

Details of Deferred Tax Liability (net) comprises of the following:

(Rls. in Millions)

Particulars	As at December 31, 2006	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Depreciation	0.90	0.08	0.07	0.48	0.63	0.00
Total	0.90	0.08	0.07	0.48	0.63	0.00

ASAHI SONGWON COLORS LIMITED**Annexure - A - STATEMENT OF DIVIDEND DECLARED**

The dividends declared by Asahi Songwon Colors Limited for the years ended March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 and Nine months ended December 31, 2006 are as under:

(Rs. in Millions)

Particulars	Nine month period ended December	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Equity Dividend						
Equity Share Capital	76.85	38.42	38.42	38.42	38.42	38.42
Rate of dividend (Interim)	-	-	-	-	-	10%
Amount of dividend (Interim)	-	-	-	-	-	3.84
Rate of dividend (Final)	-	10%	10%	10%	25%	50%
Amount of dividend (Final)	-	3.84	3.84	3.84	9.61	19.21
Total Rate of Dividend	-	10%	10%	10%	25%	60%
Total Amount of Dividend	-	3.84	3.84	3.84	9.61	23.05
Tax on dividend	-	0.54	0.54	0.49	1.23	2.35

Annexure-B

CASH FLOW STATEMENT PREPARED FROM THE RESTATED FINANCIAL STATEMENTS FOR THE YEARS ENDED & PERIOD ENDED DECEMBER 31, 2006, MARCH 31,2006, MARCH 31,2005, MARCH 31, 2004, MARCH 31, 2003 AND MARCH 31, 2002

(Rs. In Millions)

	Finacial Year Ended					
	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
INCOME						
A. Cash Flow From operating activities						
Profit before taxation and exceptional items	83.37	30.54	13.22	14.88	30.96	27.98
Exceptional / Extra Ordinary Items	(0.28)	(0.71)	(0.60)	(0.16)	(0.16)	(0.21)
Profit Before Taxation	83.09	29.83	12.62	14.72	30.80	27.77
Adjustments for :-						
Depreciation	8.89	7.81	6.22	3.76	3.79	3.28
Loss on Sales of Fixed Assets	0.16	-	-	-	2.49	-
(Profit)/ Loss on sales of Investment/assets	(0.06)	(0.00)	0.16	-	-	-
Interest Income/Exchange Rate Diff	-	(0.08)	(0.17)	(0.37)	(0.34)	(0.05)
Dividend Income	-	-	-	-	-	-
Interest Expenses	16.71	10.36	3.65	2.72	3.45	4.05
Def. Exps.	0.78	0.73	0.16	0.16	0.16	0.16
Def. Exps.Revenue Exp. C/f.	(8.05)	(7.60)	(1.13)	-	-	-
Operating Profit before working Capital Changes	101.53	41.05	21.52	20.99	40.35	35.20
Movements iin Working Capital :						
Decrease / (Increase) in Receivables	(137.38)	(9.91)	(30.32)	(43.98)	(5.84)	(12.46)
Decrease / (Increase) in Inventories	(10.22)	(37.25)	(14.42)	6.74	(7.14)	(5.76)
Decrease / (Increase) in Trade & Other Payables	44.06	(0.90)	18.00	36.78	(2.27)	(7.38)
Interest Paid/received	(18.23)	(10.78)	(3.65)	(2.72)	(3.45)	(4.05)
Direct Taxes Paid	(5.06)	(0.17)	(1.03)	(3.19)	(5.17)	(1.85)
Net Cash from / (used) operating activities	(25.31)	(17.97)	(9.90)	14.62	16.47	3.71
B. Cash Flow From Investing activities						
Purchase of Fixed Assets	(22.06)	(35.41)	(123.36)	(10.41)	(5.03)	(10.18)
Proceeds from Sales of Fixed Assets		-	-	-	0.12	-
Sales of Investment / Fixed Assets	0.08	0.41	0.78	-	-	-
Interest Received	1.58	0.51	0.17	0.37	0.34	0.05
Net Cash Used in Investing Activities	(20.40)	(34.49)	(122.41)	(10.04)	(4.58)	(10.13)

ASAHI SONGWON COLORS LIMITED
(Rs. In Millions)

		Finacial Year Ended				
	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 20042003	March 31, 2002	March 31,
C. Cash Flow From Financing activities						
Proceeds from borrowings	67.73	79.91	138.83	9.82	(9.27)	33.43
Repayment of borrowing / Loan	(14.94)	(19.71)	-	(4.00)	(5.20)	2.53
Dividend Paid	(4.38)	(4.02)	(4.34)	(10.84)	-	(25.41)
Net Cash from / (used in) financing activities	48.41	56.18	134.50	(5.01)	(14.47)	10.55
Net Increase in cash and cash equivalents (A + B + C)	2.70	3.72	2.19	(0.43)	(2.58)	4.13
Cash and cash equivalents at the beginning of the period	9.24	5.52	3.34	3.77	6.35	2.22
Cash and cash equivalents at the end of the period	11.94	9.25	5.52	3.34	3.77	6.35

Note:-

1.The above cash Flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 on Cash Flow statement issued by the Institute of Chartered Accountants Of India

Annexure C

DETAILS OF RELATED PARTY TRANSACTIONS FOR THE YEARS & PERIOD ENDED DECEMBER 31, 2006, MARCH 31, 2006, MARCH 31, 2005, MARCH 31, 2004, MARCH 31, 2003 AND MARCH 31, 2002

Names of the related parties and their relationship

I. Shareholders having substantial interest

Sl. No	31-Dec-06	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02
1.	Smt. Paru M. Jaykrishna	Smt. Paru M. Jaykrishna	Smt. Paru M. Jaykrishna	Smt. Paru M. Jaykrishna	Smt. Paru M. Jaykrishna	Smt. Paru M. Jaykrishna
2.	Shri Gokul M. Jaykrishna	Shri Gokul M. Jaykrishna	Shri Gokul M. Jaykrishna	Shri Gokul M. Jaykrishna	Shri Gokul M. Jaykrishna	Shri Gokul M. Jaykrishna
3.	Shri Munjal M. Jaykrishna	Shri Munjal M. Jaykrishna	Shri Munjal M. Jaykrishna	Shri Munjal M. Jaykrishna	Shri Munjal M. Jaykrishna	Shri Munjal M. Jaykrishna

II. Enterprises where significant influence exists

Sl. No	31-Dec-06	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02
1	Aksharchem (India) Ltd. (formerly known as Audichem (India) Ltd.	Aksharchem (India) Ltd. (formerly known as Audichem (India) Ltd.	Aksharchem (India) Ltd. (formerly known as Audichem (India) Ltd.	Aksharchem (India) Ltd. (formerly known as Audichem (India) Ltd.	Aksharchem (India) Ltd. (formerly known as Audichem (India) Ltd.	Aksharchem (India) Ltd. (formerly known as Audichem (India) Ltd.
2	Skyjet Aviation Pvt. Ltd.	Skyjet Aviation Pvt. Ltd.	Skyjet Aviation Pvt. Ltd.	Skyjet Aviation Pvt. Ltd.	Skyjet Aviation Pvt. Ltd.	Skyjet Aviation Pvt. Ltd.
3	Skyways	Skyways	Skyways	Skyways	Skyways	Skyways

III. Key Management Personnel

Sl. No.	31-Dec-06	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02
1	Smt. Paru M. Jaykrishna	Smt. Paru M. Jaykrishna	Smt. Paru M. Jaykrishna	Smt. Paru M. Jaykrishna	Smt. Paru M. Jaykrishna	Smt. Paru M. Jaykrishna
2	Shri Munjal M. Jaykrishna	Shri Munjal M. Jaykrishna	Shri Munjal M. Jaykrishna	Shri Munjal M. Jaykrishna	Shri Munjal M. Jaykrishna	Shri Munjal M. Jaykrishna
3	Shri Gokul M. Jaykrishna	—	—	—	—	—

ASAHI SONGWON COLORS LIMITED

Annexure-C (Contd.)

Rs. In Millions)

Nature of Transaction	Shareholders having Substantial interest						Enterprises where significant influence						Key Managerial Personnel					
	Dec. 06	2005-06	2004-05	2003-04	2002-03	2001-02	Dec. 06	2005-06	2004-05	2003-04	2002-03	2001-02	Dec. 06	2005-06	2004-05	2003-04	2002-03	2001-02
Directors' Remuneration	1.46	1.14	0.91	0.81	0.75	0.49												
Manpower Deputation Charges																		
Interest received																	-	-
Dividend received																	-	-
Rent received																	-	-
Management Fee Received																	-	-
Technical Fee Received																	-	-
Collection Fee Received																	-	-
Purchase of Shares																		
Investments in share application money																	-	-
Investments in Preference shares																		
Sale of shares																		
Unsecured Loans taken (Incl interest)																		
Refund of loan																		
Interest paid																		
Loans Given																		
Transfer of Liability																		
Advance Given and recovered																		
Shared services																		
Deposits																		
Guarantee Charges																		
Rent Paid							0.081	0.11	0.11	0.11	0.11	0						
Sale of Goods							11.48	25.74	7.84	3.51	6.08	0						
Purchase of Goods							0.05	0.12	207.98	168.13	0	0						
Paid for Services							1.18	0.27	0.75	1.37	0.93	0	0.09	0.12	0.12	0.12	0.12	0
Balances outstanding Receivable																		
Payable							13.00	13.18	17.55	23.74	20.87	0						

Annexure-C (Contd.)
DETAILS OF TRANSACTIONS WITH RELATED PARTIES AND DETAILS OF OUTSTANDING BALANCES
(Rs. in Millions)

Particulars	Nature Of Relationship	31-Dec-06	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Purchase & Sales :-						
Purchase of Goods and Services	Where KMP/RKMP exercise significant influence	1.23	0.39	208.74	169.50	0.93
Sales of Goods	Where KMP/RKMP exercise significant influence	11.48	25.74	7.84	3.51	6.08
Expenses :-						
Managerial Remuneration	Key Management Personnel	1.29	0.67	0.67	0.67	0.67
Perquisites	Key Management Personnel	0.18	0.47	0.24	0.14	0.08
Consultancy	Relatives of Key Management Personnel	0.09	0.12	0.12	0.12	0.12
Rent Charges	Where KMP/RKMP exercisesignificant influence	0.08	0.11	0.11	0.11	0.11
Outstanding Balances :-						
Payables	Where KMP/RKMP exercisesignificant influence	13.00	13.18	17.55	23.74	20.87

ASAHI SONGWON COLORS LIMITED
Annexure-D
STATEMENT OF OTHER INCOME AND OTHER INCOME INCLUDING EXCEPTIONAL ITEMS
(Rs. In Millions)

		Finacial Year Ended				
	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Other Income, as per Summary Statement of Profits and Losses, as restated (A)	1.58	0.51	0.17	0.37	0.34	0.05
Other Income, Including Exceptional Items (B)	1.58	0.51	0.17	0.37	0.34	0.05
Net Profit before Tax, as per Summary Statement of Profits and Losses as restated (C)	82.59	29.82	13.07	14.71	30.80	27.84
Percentage (A/C)	1.91%	1.71%	1.30%	2.52%	1.10%	0.18%
Percentage (B/C)	1.91%	1.71%	1.30%	2.52%	1.10%	0.18%

(in Rs. millions)

		Finacial Year Ended				
Sources and Particulars of Other Income	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Interest Income						
- From Banks	1.52	0.43	0.09			
- From Inter Corporate Deposit & Bonds						
- From Directors						
Dividend Income						
Prodit on Sales of Investments	0.06					
Foreign Exchange Rate Diff.		0.08	0.08	0.37	0.34	0.05
Rent income						
Miscellaneous Balances Written Off						
Insurance Claim Received						
Discount Received						
Others						
Other Income as per Restated Profit And Loss Account (D)	1.58	0.51	0.17	0.37	0.34	0.05

(in Rs. Millions)

Sources and Particulars of Other Income Including Exceptional Items	Financial Year Ended					
	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Other Income As per (D) Above						
Add: Exceptional Items	1.58	0.51	0.17	0.37	0.34	0.05
Provisions for Plant Load factor Written Back		-	-	-	-	-
Unclaimed Creditors Written Bank		-	-	-	-	-
Total Exceptional Items (E)		-	-	-	-	-
Other Income including Exceptional Items (D+E)	1.58	0.51	0.17	0.37	0.34	0.05

Annexure E

SUMMARY OF ACCOUNTING RATIOS

Particulars	31-Dec-06	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02
Earnings Per Share:						
Basic - (Rs.)	9.67	3.45	1.55	1.36	3.25	3.37
Diluted – (Rs.)	11.35	4.04	1.82	1.59	3.81	3.95
Net Asset Value per share – (Rs.)	25.97	15.73	13.36	12.35	11.39	10.02
Return on Net Worth	44%	26%	13.65%	12.89%	33.48%	39.40%
Weighted Average number of Equity shares outstanding during the year considered for Basic EPS	7684840	7684840	7684840	7684840	7684840	7684840
Weighted Average number of Equity shares outstanding during the year considered for Diluted EPS	6,551,011	6,551,011	6,551,011	6,551,011	6,551,011	6,551,011
Weighted Average number of shares outstanding during the year for Net Asset Value per Share	6,551,011	6,551,011	6,551,011	6,551,011	6,551,011	6,551,011

Formulae:

$$\text{Earnings Per Share (Rs.)} = \frac{\text{Net Profit after Tax and before Extraordinary Items}}{\text{Weighted Average Number of Equity Shares outstanding during the year}}$$

$$\text{Net Asset Value Per Share (Rs.)} = \frac{\text{Net worth excluding Revaluation Reserve}}{\text{Weighted Average Number of Equity Shares outstanding during the year}}$$

$$\text{Return on Net Worth (\%)} = \frac{\text{Net Profit after Tax and before Extraordinary Items}}{\text{Net worth excluding Revaluation Reserve}}$$

Note: Net Worth = [Equity Share Capital + Reserves & Surplus (Excluding revaluation reserve) – Miscellaneous Expenditure]

Notes:

- The above ratios have been calculated based on restated financial statements.
- The Earnings per Share has been calculated for previous years on Weighted Average Number of Equity Shares outstanding during the nine months period ended December 31, 2006 as per AS-20.

ASAHI SONGWON COLORS LIMITED

Annexure E (Contd..)**Calculation of weighted average number of shares outstanding during the year**

Particulars	As at December 31, 2006	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Nominal value of equity shares – (Rs.)	10	10	10	10	10	10
Total number of equity shares outstanding at the beginning of the year – Rs. 10 per share paid up	3842420	3842420	3842420	3842420	3842420	3842420
Equity shares issued during the year	Nil	Nil	Nil	Nil	Nil	Nil
Total equity shares at the end of the year	7684840	7684840	7684840	7684840	7684840	7684840
Bonus Equity Shares issued on ——— (Refer Note 1 below)	3842420	Nil	Nil	Nil	Nil	Nil
Weighted Average number of Equity shares outstanding during the year – Considered for Basic EPS	6551011	6551011	6551011	6551011	6551011	6551011
Weighted Average number of Equity shares outstanding during the year – Considered for Diluted EPS	7684840	7684840	7684840	7684840	7684840	7684840

Note No.1 Bonus shares Issued on 25/05/2006 in the Ratio of 1:1 each

ANNEXURE F : STATEMENT OF SECURED LOAN
(Rs. in Millions)

		Finacial Year Ended				
	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Term Loans						
- From Banks	43.24	58.18	68.77	-	4.00	9.20
- From Others						
Total	43.24	58.18	68.77	0.00	4.00	9.20
Working Capital Facilities from						
Bank and Financial institutions						
- Rupee Loan	191.22	131.04	71.49	70.05	38.70	44.25
- Foreign Currency Loans					0.00	0.00
Vehicle Loans				-	0.66	0.28
Total Secured Loan	234.47	189.23	140.26	70.05	43.36	53.72

STATEMENT OF UNSECURED LOANS
(Rs. in Millions)

		Finacial Year Ended				
	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Long Term						
- From Otherthan Banks						
Short Term						
- From Banks						
- From Others	87.41	79.86	68.62	-	20.87	24.98
Total Unsecured Loans	87.41	79.86	68.62	-	20.87	24.98

ASAHI SONGWON COLORS LIMITED
ANNEXURE - G
DETAILS OF SUNDRY DEBTORS
(Rs. In Millions)

		Finacial Year Ended				
	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Debts Outstanding for a Period						
- Exceeding Six Months	4.37	2.37	3.74	0.00	0.00	2.72
- Others Debts	199.39	88.06	83.74	68.05	30.10	26.78
Unsecured - Considered Good	203.76	90.43	87.48	68.05	30.11	29.50
Unsecured - Considered Doubtful	203.76	90.43	87.48	68.05	30.11	29.50
Less: Provision for Doubtful Debts	203.76	90.43	87.48	68.05	30.11	29.50
Total Debtors	203.76	90.43	87.48	68.05	30.11	29.50

Selective Financial Information on Sundry Debtors as at December 31, 2006 is as follows :
(Rs. In Millions)

	As at December 31, 2006
Debts Outstanding for a Period Exceeding Six Months	
- From Promoter Group Companies, Considered Good	
- From Associate Companies, Considered Good	
- From Others	
- Considered Good	4.37
- Considered Doubtful	-
Total (A)	4.37
Other Debts (Considered good) (B)	199.39
Total (A + B)	203.76
Less : Provision for Doubtful debts	-
Total Debtors	203.76

Annexure H
DETAILS OF LOANS AND ADVANCES
(Rs. in Millions)

		As at December 31, 2006
Loans to Subsidiaries (Promoter group Companies)		
- In Foreign Currency	-	
- In Indian Currency	-	
Deposit		
- With Customers as Security Deposit	-	
- With Promoter Group Companies	-	
- Others	2.86	2.86
Advance Payment agsnist Taxes		17.78
Export Incentive Receivable		17.68
Balance with Central Excise Dept.		17.87
Advances recoverable in cash or kind or value to be received		
Considered Good		
- From Promoter Group Companies		
- From Associate Companies		
- From Others	27.93	
Considered Doubtful		
- From Others	-	27.93
		84.12
Less:Provision for Doubtful Loans and Advances		84.12

ASAHI SONGWON COLORS LIMITED**ANNEXURE I****CAPITALISATION STATEMENT (Pre Issue)****(Rs. In Millions)**

	Pre- Issue as at December 31, 2006	Post Issue *
Debt		
Short - Term Debt (A)	278.63	
Long- Term Debt (B)	43.24	
Total Debt (C = A + B)	321.87	-
Shareholders' Fund		
- Equity Share Capital	76.85	
- Preference Share Capital	0	
- Reserves , As Restated	93.29	
Total Shareholders' Fund (D)	170.14	
Long - Tem Debt / Shareholders' Funds (B/D)	0.25	
Total Debt / Shareholders' Fund (C/D)	1.89	

ANNEXURE J - STATEMENT OF TAX SHELTERS
(Rs.In Millions)

			Finacial Year Ended				
		December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Net Profit (Loss) before Tax and Exceptional	A	82.59	29.82	13.07	14.71	30.80	27.72
Income Tax Rates Applicable		33.66%	33.66%	36.59%	35.875%	36.75%	35.70%
Minimum Alternate Tax (MAT)							
Adjusted Book Profit for Mat Tax		27.23	29.37	13.07	4.31	15.68	10.00
Rates applicable u/s 115JA/JB(%) Including Surcharge if applicable		11.220%	8.415%	7.841%	7.6875%	7.875%	7.6875%
Tax at Normal Income Tax rates		27.80	10.04	4.78	5.28	11.32	9.90
Tax At Mat Rates	B	3.05	2.47	1.02	0.33	1.23	0.77
Adjustment							
Permanent Differences							
Expenses Disallowed /Exemptions		1.44	0.84	0.49	0.43	2.77	0.26
Export Benefit u/s 80 HHC				0.00	-10.41	-15.12	-17.73
Exemption U/s 10B		-55.36	-0.45				
Donation u/s 80G		-0.001	-0.03	-0.01	-0.02	-0.01	-0.03
Amount given & claimed u/s 35(1) allowable		-7.82	-0.73	-0.16	-0.16	-0.16	-0.16
Technical Know How u/s 35AB						-0.34	-0.67
Total permanent Differences	C	-61.74	-0.37	0.32	-10.15	-12.86	-18.32
Timing Differences							
Difference between book & Tax Depreciation		-8.12	-16.91	-13.26	-1.01	-2.93	-4.05
Adjustment of brought forward loss							
Total Timing Differences	D	-8.12	-16.91	-13.26	-1.01	-2.93	-4.05
Net Adjustment (C+D)		-69.86	-17.27	-12.94	-11.16	-15.78	-22.36
Tax Saving there on		-23.52	-5.81	-4.74	-4.00	-5.80	-7.98
Total tax provision at normal income-tax rates for the year	E	4.28	4.22	0.05	1.27	5.52	1.91
Tax Payable (Higher of B or E)		4.28	4.22	1.02	1.27	5.52	1.91
Tax Provision as per books		7.35	3.25	1.05	3.80	5.20	
Difference (Excess)/Short		(3.07)	0.97	(0.03)	(2.53)	0.32	0.06

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

The following is the management's discussion of the financial conditions and results of operations together with the audited financial statement for each of the financial years ended March 31, 2003, 2004, 2005, 2006 and for the nine months period ended December 31, 2006 including the notes thereto and reports thereon in the section titled, "Financial Statements" beginning from page no. 84 of this RHP. These financial statements have been prepared in accordance with Indian GAAP and the Companies Act.

a. Overview of the Business of the Company

Asahi Songwon Colors Limited (ASCL) was formed and incorporated in the name of Lucky Laminates Private Limited (LLPL) on December 19, 1990 with the Registrar of Companies, Gujarat. The name of LLPL was subsequently changed to Lucky Laminates Limited (LLL) on April 19, 1996 and was immediately changed to Asahi Songwon Colors Limited. Prior to the change of name of LLPL to LLL and ASCL, Asahi Dyechem Private Limited (ADPL), a company promoted by present promoters engaged in manufacture and sale of Pigment Green-7 was merged with LLPL with effect from April 01, 1994 vide the decision of High Court of Gujarat, dated February 28, 1996.

ADPL had set up its plant to manufacture Pigment Green -7 at Kadi, Mehsana with an initial capacity of 180 TPA with total capital expenditure of Rs. 40 million. The commercial production at this plant commenced in the year 1991. In the year 1995-96, the High Court of Gujarat, vide its decision-dated February 28, 1996 passed the scheme of amalgamation of ADPL with LLPL. In the same year ASCL entered into a joint venture agreement with Songwon Color Company Limited (SCCL), South Korea with financial investment and supply of technology for manufacture of Green Crude. On entering the technical collaboration with SCCL, ASCL installed a plant for manufacturing Green Crude at a total cost of about Rs. 35 million, which enhanced its installed capacity from 180 TPA to 600 TPA.

Subsequently, ASCL further expanded its installed capacity to 900 M.T in 2002 and to 1080 MT in the year 2005-06 with a capital expenditure of Rs. 35 million.

Copper Phthalocyanine (CPC) Blue Crude is the major raw material used in manufacture Pigment Green – 7. With a view to expand product range our Company adopted the strategy of vertical integration and set up 100% EOU unit for manufacture of CPC Blue Crude at Padra, Vadodara with an initial installed capacity of 3600 TPA. The facility was commissioned in March 2005 with a total capital expenditure of about Rs.150 million. SCCL provided the production technology for manufacture of CPC Blue Crude also. The technology involves use of alkyl benzene solvent, which provides a faster reaction time and hence better productivity under specific pressure. As the Clariant Limited, a multinational Company based in Muttensz, near Basel, Switzerland has acquired controlling interest of SCCL in February 2006; the name of SCCL was changed to Clariant Songwon Colors Company Limited which was further changed to Clariant Pigments (Korea) Limited.

The Jaykrishna family of Ahmedabad has promoted ASCL. Mrs. Paru.M.Jaykrishna, the Chairperson and Managing Director of the company, has over 20 years of experience and is also the first lady to be elected as Vice President of Gujarat Chamber of Commerce and Industries, Ahmedabad. Mr. Munjal Jaykrishna, Executive Director of the company and Mr. Gokul Jaykrishna, Executive Director looks after the day-to-day affairs of our company under the overall guidance of Mrs. Paru.M.Jaykrishna.

Our Company, after commencing the production of grass root project for manufacturing CPC Blue Crude at Padra, Vadodara in March 2005 has witnessed good off take for our products in the export market and in the short span of 18 months our company has been able to achieve capacity utilization of more than 75 % of its installed capacity and since October 2006, our company has achieved 100 % capacity utilization. Further the demand for CPC Blue Crude has been increasing and we are unable to meet the demands in the export markets due to capacity constraints. Therefore, we propose to enhance the capacity of our CPC Blue Crude plant from present level of 3600 TPA to 10800 TPA. Furthermore, we also propose to set up the plant for manufacturing of Pigment Beta Blue by way of forward integration for which the required raw material is CPC Blue Crude and has good market potential in the pigment industry. Besides above, with a view to reducing the cost of power and ensuring continuous supply and quality of power, our company also proposes to set up captive power plant with an installed capacity of 2 MW.

b. Significant developments subsequent to the last financial year

Our company had commenced its commercial production of CPC blue crude from March 2005. After the initial teething troubles, we stabilized quality and production of CPC blue crude. The production of CPC blue crude in FY 2005-06 which was 954 TPA with a capacity utilization of about 26.5%, has shown considerable improvement in the nine months period of FY 2006-07 so much so that our company produced 2222.685 TPA with a capacity utilization of 82.32% on annualized

basis. Further, the capacity utilization in the month of October 2006 had exceeded 100% and therefore with the encouraging productivity and consistent higher demand from existing and prospective customers, our company has planned expansion of capacity of CPC Blue crude, to manufacture new product mainly pigment beta blue and setting up of 2MW captive power plant.

Accordingly our company approached SBI for a term loan of Rs. 80 million for part financing the proposed expansion project estimated at Rs. 520 million. SBI vide its letter dated October 12, 2006 has sanctioned the term loan of Rs. 80 million.

In view of the increased production, our Company has reduced the trading activity as the margins were better in the own manufactured goods than that of traded goods.

In April 2007, the company has entered into supply agreement and toll manufacturing agreement with DIC, Japan for manufacturing and supply of certain CPC Blue Crude products.

DIC, Japan has agreed to subscribe to 865,200 shares of the company of Rs. 10/- each at Rs. 122/- per share pursuant to the share subscription agreement dated April 17, 2007 .

c. Factors that may affect results of the Operations

Except as otherwise stated in this RHP, the Risk Factors given in this RHP and the following important factors could cause actual results to differ materially from the expectations include among others:

- General economic and business conditions;
- Company's ability to successfully implement its strategy and its growth and expansion plans;
- Factors affecting industrial activity;
- Increasing competition in the industry;
- Increases in labour costs, raw materials prices, prices of plant & machineries and insurance premia;
- Mechanical problems with Company's plants & machineries or incidents caused by human error;
- Changes in the value of the Indian rupee and other currencies;
- Cyclical or seasonal fluctuations in the operating results;
- Changes in laws and regulations that apply to the industry;
- Changes in fiscal, economic or political conditions in India;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;
- Changes in the foreign exchange control regulations, interest rates, and tax laws in India.

d. Discussion on Results of Operations

The following discussion on the financial operations and performance should be read in conjunction with the audited financial results of the company for the year ended March 31, 2003, 2004, 2005, and 2006 and for the nine months period ended December 31, 2006.

ASAHI SONGWON COLORS LIMITED
Summary of Revenues, Expenses, and Profitability
Rs. in millions

Particulars	Audited				
	9 months ended 31.12.2006	FY 31.03.2006	FY 31.03.2005	FY 31.03.2004	FY 31.03.2003
Income from Manufacturing	521.62	200.44	126.30	102.31	159.31
Income from Trading	5.91	32.42	265.30	188.67	0.02
Export Incentive	4.48	11.10	24.96	31.25	10.11
Other Income	1.58	0.51	0.17	0.37	0.34
Increase/(Decrease) in stock	(3.67)	34.60	4.66	-4.98	6.51
Total Income	529.92	279.07	421.39	317.62	176.29
Goods purchased for Re-sale	5.89	29.38	267.70	205.42	4.92
Raw Material consumption	338.69	156.77	84.22	51.40	89.35
Employee remuneration and benefits	6.65	4.15	4.08	3.36	2.62
Power & Fuel	27.51	14.45	10.11	7.59	11.31
Stores & Spares	2.98	2.19	2.73	1.99	2.51
Selling & Distribution Expenses	15.00	9.49	13.41	10.57	5.98
Other Manufacturing & Admin. Expenses	24.05	13.91	16.01	15.93	18.92
Finance charges	16.71	10.36	3.65	2.72	3.45
Depreciation	8.89	7.81	6.10	3.76	3.79
(Profit)/Loss on sale of assets	0.16	0.00	0.16		2.49
Amortization of Misc. Exp. (Net)	0.78	0.73	0.16	0.16	0.16
Total Expenditure	447.33	249.25	408.32	302.91	145.49
Profit before Tax	82.59	29.82	13.07	14.71	30.80
Tax					
▪ Current	7.35	3.25	1.05	3.80	5.20
▪ Deferred	0.90	0.08	0.07	0.48	0.63
Profit after Tax	74.33	26.49	11.95	10.43	24.97

The following table shows the various expenses from FY 2003 to FY 2006 and for the nine months period ended December 31, 2006 as a percentage of Total Expenses:

Rs. in millions

	9 months ended 31.12.2006		FY 31.03.2006		FY 31.03.2005		FY 31.03.2004		FY 31.03.2003	
% of Total Expenditure	Amount	% age	Amount	% age	Amount	% age	Amount	% age	Amount	% age
Goods purchased for resale	5.89	1.32	29.38	11.79	267.70	65.56	205.42	67.82	4.92	3.38
R.M. Consumption	338.69	75.72	156.77	62.90	84.22	20.63	51.40	16.97	89.35	61.41
Employee remuneration and benefits	6.65	1.49	4.15	1.67	4.08	1.00	3.36	1.11	2.62	1.80
Power & fuel	27.51	6.15	14.45	5.80	10.11	2.48	7.59	2.51	11.31	7.77
Stores & Spares	2.98	0.67	2.19	0.88	2.73	0.67	1.99	0.66	2.51	1.73
Selling & Distribution Exps.	15.00	3.35	9.49	3.81	13.41	3.28	10.57	3.49	5.98	4.11
Other Mfg. & Admn. Exps.	24.05	5.38	13.91	5.58	16.01	3.92	15.93	5.26	18.92	13.00
Finance charges	16.71	3.74	10.36	4.16	3.65	0.89	2.72	0.90	3.45	2.37
Depreciation	8.89	1.99	7.81	3.13	6.10	1.49	3.76	1.24	3.79	2.60
(Profit)/loss on sale of assets	0.16	0.04	(0.00)	(0.00)	0.16	0.04	-	-	2.49	1.71
Amortisation of Misc. Exp. (net)	0.78	0.17	0.73	0.29	0.16	0.04	0.16	0.05	0.16	0.11
Total Expenditure	5.89	1.32	249.25	100.00	408.32	100.00	302.91	100.00	145.49	100.00

The following table shows the various expenses for FY 2003 to FY 2006 and nine months period ended December 31, 2006 as a percentage of Net Sales:

	9 months ended 31.12.2006		FY 31.03.2006		FY 31.03.2005		FY 31.03.2004		FY 31.03.2003	
% of Total Expenditure	Amount	% age	Amount	% age	Amount	% age	Amount	% age	Amount	% age
Goods purchased for resale	5.89	1.11	29.38	10.53	267.70	63.53	205.42	64.67	4.92	2.79
R.M. Consumption	338.69	63.91	156.77	56.18	84.22	19.99	51.40	16.18	89.35	50.68
Employee remuneration and benefits	6.65	1.25	4.15	1.49	4.08	0.97	3.36	1.06	2.62	1.49
Power & fuel	27.51	5.19	14.45	5.18	10.11	2.40	7.59	2.39	11.31	6.42
Stores & Spares	2.98	0.56	2.19	0.78	2.73	0.65	1.99	0.63	2.51	1.42
Selling & Distribution Exps.	15.00	2.83	9.49	3.40	13.41	3.18	10.57	3.33	5.98	3.39
Other Mfg. & Admn. Exps.	24.05	4.54	13.91	4.98	16.01	3.80	15.93	5.02	18.92	10.73
Finance charges	16.71	3.15	10.36	3.71	3.65	0.87	2.72	0.86	3.45	1.96
Depreciation	8.89	1.68	7.81	2.80	6.10	1.45	3.76	1.18	3.79	2.15
(Profit)/loss on sale of assets	0.16	0.03	(0.00)	(0.00)	0.16	0.04	-	-	2.49	1.41
Amortisation of Misc. Exp. (net)	0.78	0.15	0.73	0.26	0.16	0.04	0.16	0.05	0.16	0.09
Total Expenditure	447.31	84.41	249.25	89.31	408.32	96.90	302.91	95.37	145.49	82.53
Margin	82.61	15.59	29.83	10.69	13.06	3.10	14.72	4.63	30.79	17.47
Total Income	529.92	100.00	279.07	100.00	421.39	100.00	317.62	100.00	176.29	100.00

Total Income

The total income of the company comprises of various components: income from manufacturing; income from trading; export incentives; other income and increase/(decrease) in stock. Our total income for the financial year ended March 31, 2003, 2004, 2005 and 2006 was Rs. 176.29 mn, Rs. 317.62 mn, Rs. 421.39 mn and Rs. 279.07 mn respectively. For the nine months period ended December 31, 2006., our total income was Rs. 529.92mn.

ASAHI SONGWON COLORS LIMITED

The total income of the company for the financial year ended March 31, 2006 includes the income generated from the manufacturing activity of CPC Blue crude which was commissioned during March 2005 at the Padra unit, Vadodara.

Due to the increased demand in the industry for the products manufactured by the company, capacity utilization substantially improved at both the units of the company as a result of which the company has considerably reduced its emphasis on trading activities from the financial year ended March 31, 2006. This helped the company to generate better income from manufacturing activity undertaken at both Kadi unit, Mehsana and Padra unit, Vadodara.

Expenditure

Although raw material constitutes large part of our costs there are other expense heads viz., employee remuneration and benefits; power & fuel; stores & spares; selling & distribution expenses; other manufacturing & administrative expenses; finance charges; depreciation; etc.

Raw Material Consumed

Our main raw materials for manufacturing CPC Blue Crude are Ortho Nitro Toluene, Pthalic Anhydride, Cuprous Chloride, Sulphuric acid, Urea and Solvent (Alkyl Benzene). Further, the raw- material for manufacturing Pigment Green – 7 mainly are CPC Blue Crude, Aluminum Chloride, Cupric Chloride, Oleic Acid, Chlorine Gas, Caustic Soda Lye, Ortho-xylene and Sodium Chloride.

Our cost of raw material expenses amounted to Rs. 89.35 mn, Rs. 51.40 mn, Rs. 84.22 mn and Rs. 156.77 for the financial years ended March 31, 2003, 2004, 2005 and 2006 respectively. For nine months period ended December 31, 2006, cost of raw material expenses amounted to Rs. 338.69 mn.

Power & Fuel

We use electric supply of Madhya Gujarat Vij Company Limited (MGVCL) and Uttar Gujarat Vij Company Limited (UGVCL) to meet the energy requirements. We have incurred expenses for power & fuel amounting to Rs. 11.31 mn, Rs. 7.59 mn, Rs. 10.11 mn and Rs. 14.45 mn for the financial years ended March 31, 2003, 2004, 2005 and 2006 respectively. For the nine months period ended December 31, 2006, we have incurred expenses for power & fuel amounting to Rs. 27.51 mn. Power & fuel expenses as a percentage of total income reduced from 6.42% in FY 31.03.2003 to 5.19% for the nine months period ended December 31, 2006.

Other Manufacturing & Administration Expenses

Our other manufacturing expenses include repairs and maintenance, pollution control expenses; laboratory-testing charges, labour contract and factory expenses and the administrative expenses relate to expenses incurred for general administration. Our manufacturing & administration expenses amounted to Rs. 18.92 mn, Rs. 15.93 mn, Rs. 16.01 mn and Rs. 13.91 mn for the financial years ended March 31, 2003, 2004, 2005 and 2006 respectively. For the nine months period ended December 31, 2006, our manufacturing & administration expenses amounted to Rs. 24.05 mn. The other manufacturing & administration expenses as a percentage of total income reduced from 10.73% in FY 31.03.2003 to 4.54% for the nine months period ended December 31, 2006.

Selling & Distribution Expenses

Selling & Distribution expenses include export clearing and forwarding expenses, packing material, transportation expenses, etc. We have incurred expenses of Rs. 5.98 mn, Rs. 10.57 mn, Rs. 13.41 mn and Rs. 9.49 mn for the financial years ended March 31, 2003, 2004, 2005 and 2006 respectively towards selling & distribution expenses. For the nine months period ended December 31, 2006, we have incurred expenses of Rs. 15.00 mn towards selling & distribution expenses. The selling & distribution expenses as a percentage of total income reduced from 3.39% in FY 31.03.2003 to 2.83% for the nine months period ended December 31, 2006.

Finance Charges

The finance charges incurred by us include interest payable by us for interest on fixed loans, interest on working capital loans and bank & other charges. We have incurred finance charges of Rs. 3.45 mn, Rs. 2.72 mn, Rs. 3.65 mn and Rs. 10.36 mn for the financial years ended March 31, 2003, 2004, 2005 and 2006 respectively. For the nine months period ended December 31, 2006, we have incurred finance charges of Rs. 16.71 mn.

Depreciation

Depreciation is provided in accordance with the rates and rules specified in Schedule XIV of the Companies Act, 1956, under Straight – Line Method. Depreciation on land, building, plant and machinery, furniture and fixtures, etc. amounted to Rs. 3.79 mn, Rs. 3.76 mn, Rs. 6.10 mn and Rs. 7.81 mn for the financial years ended March 31, 2003, 2004, 2005 and 2006 respectively.

For the nine months period ended December 31, 2006, Depreciation on land, building, plant and machinery, furniture and fixtures, etc. amounted to Rs. 8.89 mn.

Total Expenses

The total expenses of the company for financial year ended March 31, 2003, 2004, 2005, and 2006 were Rs. 145.50 mn, Rs. 302.90 mn, Rs. 408.33 mn and Rs. 249.24 mn respectively. For the nine months period ended December 31, 2006, the total expenses of the company were Rs. 447.33 mn.

Taxes

Income taxes are accounted for in accordance with Accounting Standard – 22 issued by the ICAI on “Accounting for Taxes on Income”. Taxes comprise both current and deferred taxes.

Provision for current taxes is made at the current tax rates after taking into consideration the benefits available under the provisions of the Income Tax Act 1961. Please see “Statement of Possible Tax Benefits Available to the Company and its Shareholders” on page no. 34 of this RHP for further details of tax benefits.

Deferred tax arises from the timing differences between book profits and taxable profits that originate in one period and are capable of reversal in one or more subsequent periods and is measured using the tax rates and laws applicable as of the date of the financial statements. The company provides for deferred tax liability on such timing differences subject to prudent considerations in respect of deferred tax assets. The significant timing differences include the difference in depreciation permitted under Indian GAAP and the Income Tax Act 1961.

Restatements

Paragraph B(1) of Part II of Schedule II to the companies Act and SEBI guidelines require us to restate our previous years’ financial statements included in this RHP to conform to methods used in preparing our latest financial statements, as well as to conform to any changes in accounting policies and estimates. These adjustments had no effect on net profit for financial year ended March 31, 2003, 2004, 2005 and 2006 and for the nine months ended December 31, 2006.

Nine months period ended December 31, 2006.

During the nine months period ended December 31, 2006, the net sales of the company were Rs. 532.01 mn as against net sales of Rs. 243.96 mn for the FY 31.03.2006 indicating increase of around 125% on annualized basis. Further, manufacturing income was more than 98% largely due to the improvement in the capacity utilization at both the units of the company. Since the emphasis was on the manufacturing activities in which the margins were better, trading activity was substantially reduced by the company.

The raw material consumption for the nine months under review was Rs. 338.69 mn, which was 63.91% of total income. The power & fuel for the nine months under review were Rs. 27.51 mn, which was 5.19% of total income. The other manufacturing & administrative expenses for the nine months under review were Rs. 24.05 mn, which was 4.54% of total income. The total expenses during the nine months under review were Rs. 447.31 mn i.e. 84.41% of the total income. Financial charges were at Rs. 16.71 mn indicating 3.15% of total income.

During the nine months under review, PBDIT was increased to 200% on annualized basis on account of improvement in the sales realization and reduction in the various input costs. Similarly, during the nine months under review, PAT was also increased to 274.03% on annualised basis.

Comparison of performance for FY 31.03.2004 with FY 31.03.2003

Total Income

During the FY 31.03.2004 the total income were Rs. 317.62 mn as compared to Rs. 176.29 mn for FY 31.03.2003, an increase of around of 80.17% mainly due to increase in trading sales. The manufacturing sales were reduced by Rs. 57 mn on account of recession in the industry.

Expenditure

Our expenditure on raw material consumption decreased by 42.47% from Rs. 89.35 mn in FY 31.03.2003 to Rs. 51.40 mn in FY 31.03.2004. The decrease in consumption was partly due to decrease in income from manufacturing activity by 35.78% in FY 31.03.2004 as compared to FY 31.03.2003 and also due to increase in income from trading activity by Rs. 188.65 mn.

The operating and other expenses increased by 347.91% from Rs. 56.15 mn in FY 31.03.2003 to Rs. 251.50 mn in FY 31.03.2004.

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Finance Charges

Finance charges decreased by 21.16% from Rs. 3.45 mn in FY 31.03.2003 to Rs. 2.72 mn in FY 31.03.2004. This was mainly due to quick realization of receivables leading to lower utilization of the working capital funds.

Depreciation

Depreciation marginally decreased by 0.79% from Rs. 3.79 mn in FY 31.03.2003 to Rs. 3.76 mn in FY 31.03.2004.

Profit after Tax

The profit after tax decreased by 58.17% from Rs. 24.96 mn in FY 31.03.2003 to Rs. 10.44 mn in FY 31.03.2004 mainly on account of lower manufacturing activity which is more remunerative than trading.

Comparison of performance for FY 31.03.2005 with FY 31.03.2004

Total Income

During the FY 31.03.2005 the total income was Rs. 421.39 mn as compared to Rs. 317.62 mn for financial year 2003-04. The sales growth of 32.67% was mainly derived from increase in trading / merchant exports. Income from merchant exports was Rs. 265.30 mn and that from sale of manufactured product was Rs. 126.30 mn

Expenditure

Our expenditure on raw material consumption increased from 63.85% from Rs. 51.40 mn in FY 31.03.2004 to Rs. 84.22 mn in FY 31.03.2005. The increase was due to increase in manufacturing activity as also increase in cost of certain raw material.

The operating and other expenses increased by 28.87% from Rs. 251.50 mn in FY 31.03.2004 to Rs. 324.11 mn in FY 31.03.2005.

Finance Charges

Finance charges increased by 34.19% from Rs. 2.72 mn in FY 31.03.2004 to Rs. 3.65 mn in FY 31.03.2005. This expenditure was incurred on account of interest on fixed loans, interest on working capital loans and bank & other charges.

Depreciation

Depreciation increased by 62.23% from Rs. 3.76 mn in FY 31.03.2004 to Rs. 6.10 mn in FY 31.03.2005 mainly due to commencement of CPC Blue Crude project from March 2005.

Profit after Tax

The profit after tax was Rs. 11.94 mn in FY 31.03.2005 as compared to profit after tax of Rs. 10.44 mn in FY 31.03.2004.

Comparison of performance for FY 31.03.2006 with FY 31.03.2005

Total Income

During the FY 31.03.2006, the total income was Rs.279.07 mn as compared to Rs. 421.39 mn for FY 31.03.2005. Income from manufacturing operations was Rs.200.44 mn as against Rs.126.30 mn during FY 31.03.2005 while that of income from trading was only Rs. 32.42 mn in FY 31.03.2006 as compared to Rs. 265.30 mn in FY 31.03.2005.

The CPC Blue crude plant of the Company was commissioned for commercial production during March 2005 and revenue stream from manufacture and sale of CPC Blue Crude was derived during this year. With the commissioning of this plant and margins in the manufacturing sale was better than the trading sales, our Company took a conscious decision to reduce the trading activity. Thus, the share of manufacturing income in operating income during FY 31.03.2006 was 82.16%, as against 30.32% during FY 31.03.2005.

Expenditure

Our expenditure on raw material consumption increased from 86.14% from Rs. 84.22 mn in FY 31.03.2005 to Rs. 156.77 mn in FY 31.03.2006. The increase was due to increase in manufacturing activity as also increase in cost of certain raw material.

The operating and other expenses decreased by 71.47% from Rs. 324.11 mn in FY 31.03.2005 to Rs. 92.47 mn in FY 31.03.2006 mainly due to reduction in trading activity of the company.

Finance Charges

Finance charges for FY 31.03.2006 were Rs. 10.36 mn compared to Rs. 3.65 mn for FY 31.03.2005, an increase of 183.84%. The increased financial costs were towards interest due on the term loan taken for setting up the CPC Blue Crude facility at Vadodara.

Depreciation

The depreciation for FY 31.03.2006 was Rs. 7.81 mn as compared to Rs. 6.10 mn for FY 31.03.2005. The depreciation was higher due to the addition in gross block of Rs. 31.92 mn during the year, mainly towards setting up the CPC Blue Crude facility at Vadodara.

Profit after Tax

The profit for FY 31.03.2006 was Rs.26.50 mn as compared to Rs. 11.94 mn for FY 31.03.2005, a growth of 121.94%, which was mainly on account of improved sales realization from manufacturing activity.

An analysis of reasons for the changes in significant items of income and expenditure is given hereunder:

1. Unusual or infrequent events or transactions

There have been no events to the best of our knowledge, other than as described in this RHP, which may be called "unusual" or "infrequent".

2. Significant economic changes that materially affected or are likely to affect income from continuing operations

There have been no significant economic changes in the pigment industry in the recent pasts, which are likely to affect income from continuing operations.

3. Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations

Other than as described elsewhere in this RHP, particularly in the section titled "Risk Factors" starting on page ix and in "Management Discussion and Analysis of Financial Condition and Results of Operations" on page 106, to our knowledge there are no trends or uncertainties that have or had expected to have a material adverse impact on revenues or income of the Company from continuing the operations.

4. Future changes in relationship between costs and income

The expansion of the CPC Blue crude capacity along with setting up of Pigment Beta Blue plant and 2MW Captive Power Plant proposed by the company would result in achieving the economies of scale and reduction in various input cost and power cost which would give significant benefit to the company and would also help in reducing the adverse impact of any possible increase in the cost of raw material and other input costs in future.

5. The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices

The increase in turnover is the mix of increase in manufacturing sales and trading sales, increase in sales prices and commencement of commercial production of CPC blue crude from March 2005.

6. Total turnover of each major industry segment in which the Company operates

The Company is operating only in one segment, namely pigments and the total sales pertaining to past financial years have been raised from such activities.

7. Status of any publicly announced new products or business segments

Although the company has started manufacturing new product namely CPC blue crude from March 2005, however, as per the extent rules, company is not liable to announce the introduction of new products to the public.

8. Seasonality of Business

The business of the company is not seasonal in nature.

9. Any significant dependence on a single or few suppliers or customers

The Company sources its raw materials from a number of suppliers and is not under threat from excessive dependence on any single supplier. Similarly, the company sells its products to major customers in various countries and in the country and as such there is no dependence.

10. Competitive Conditions

Company faces competition from SSI units in unorganized sector. However, SSI units have already been covered in a single policy to pay excise duty on the products and therefore at present there is a level playing field for all the manufacturers.

SECTION VI : LEGAL AND OTHER INFORMATION

Outstanding Litigations & Material Developments

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions or tax liabilities against the Company, its directors, Promoters or companies promoted by its promoters that would have a material impact on the business of the Company and there are no defaults, non payment or statutory dues, institutional/bank dues and dues payable to holders of debentures, bonds and fixed deposits and arrears of preference shares that would have a material adverse effect on the business other than unclaimed liabilities by the Company or its directors, its Promoters or companies promoted by its promoters. Further, the directors, promoters or companies promoted by the promoters have not been declared as willful defaulter by Reserve Bank of India, and also have not been debarred from dealing in securities and/or accessing the capital markets by SEBI and no disciplinary action has been taken against them by SEBI or any stock exchanges.

I. Cases related to the Company

Cases filed against the Company

1. The Company (erstwhile Lucky Laminates Private Limited) has received a show cause notice from the Assissant collector of customs and Central Excise, Rural Division, Paldi, Ahmedabad, dated November 9, 1993, in respect of classification of laminate sheets in the tariff schedule. The approximate amount involved in this case is Rs. 1,26,404/-. The Company has responded to the show cause notice.
2. The Company has received a show cause notice from the asst. Commissioner of Service Tax, Vadodara, dated October 30, 2006, in respect of service tax of Rs. 305,459, on payment of technical know how fees.
3. The Company has received a notice dated June 23, 2006, from the advocate of a worker claiming workmen compensation of Rs. 2,00,000 for the injury caused while working on machines. The Company is negotiating on a mutual settlement.
4. The worker has filed an appeal against the company for wrongful termination of service in the Case no. ref (LCK) 381/04 labour Court, Kalol. The approximate amount involved in this case is not quantifiable. The appeal for reinstatement of service is pending
5. A claim has been filed before the Motor Accident Claims tribunal MACT/2006/794, for the claim of insurance amount of Rs. 100,000, in which our Company is one of the party as the vehicle was used by our Company during the accident.
6. A show cause notice dated October 4, 2006, have been received by the Company from the Gujarat Pollution Control Board, for emission from stack attached to reaction vessel not meeting the norms. The approximate amount involved in this case is not quantifiable. The Company has filed a reply to the notice vide letter dated October 17, 2006 of having rectified the system and emission level of Chlorine.
7. The Joint director General of Foreign trade, Ahmedabad, has issued a defaulter circular no. 587/AM02 dated February 1, 2002, for not producing evidence of fulfilling the export obligations under the advance licence. The approximate amount involved in this case is Rs. 81,735/-.
8. The Company has received demand notice issued under section 28 of the Customs Act, 1962 from the Office of the Commissioner of Customs (Import) New Custom House, Ballard Estate Mumbai 400 001 on 19 February, 2007 for attending the personal hearing pertaining to import of pigment green prees cake vide B/E No. 000466 dated February 13, 2003 IGM No. 13049 dated January 20, 2003, The issue was concerning the pigment green 7 (Press Cake Lot. No. 00106 & 00107 exported to USA which was rejected on the ground of quality by our customer and we were supposed to re-export the same within 6 months from the date of import. There may be a likely demand of approximate Rupees 1.50 lakhs due to failure re-export the said goods in stipulated time. The matter is pending before Assistant Commissioner of Customs.

Income tax related cases by and against the Company

1. The Department of Income Tax has filed an appeal before the Income Tax Appellate Tribunal, Ahmedabad against the order dated August 8, 2003, of the Commissioner of Income Tax (Appeals), ("CIT (A)") for assessment year 2000-01, which overruled the order of the Assessing officer and the demand raised therein of Rs. 1,757,376, in respect of computation of deduction u/s. 80HHC as regards export incentives after ignoring the losses. The Income tax Appellant Tribunal has set aside the order of lower authorities and restore the matters to Assessing Officer for giving effect based on retrospective amendments to section 80HHC and 28.
2. The Department of Income Tax has filed an appeal before the Income Tax Appellate Tribunal, Ahmedabad against the order dated October 18, 2004, of the Commissioner of Income Tax (Appeals), ("CIT (A)") for assessment year 2001-02, which overruled the order of the Assessing officer passed u/s. 143(3), and the demand raised therein of Rs 3,367,213 in

respect of computation of deduction u/s. 80HHC as regards export incentives after ignoring the losses. The said appeal is pending.

3. The Company has filed an appeal before the Commissioner of Income-tax (Appeals), Ahmedabad, against the order of the Assessing officer passed u/s. 143(3) dated July 31, 2006, for the assessment year 2001-02, wherein the assessing officer has reassessed the income and made addition in the income on the ground that excise duty on finished goods is not been included in the valuation of closing stock, thereby raising a demand of Rs. 13,02,030. The Company has received order of the CIT (Appeals) allowing the appeal partially. The Assessing Officer has preferred an appeal to the Income-tax Appellate Tribunal against the order of CIT (Appeals). The appeal filed by the Income-tax Department is pending hearing. The said appeal is pending.
4. The Income-tax Department had filed an appeal before the Income –tax Appellate Tribunal (“ITAT”) against the order of the CIT(A) permitting the sale proceeds of DEPB licence as receipt falling u/s 28(iib) read with proviso to section 80HHC(3) and thereby qualifying it for deduction u/s 80HHC. The ITAT has restored the order of the CIT(A) for fresh consideration by the Assessing Officer which may lead to a demand of Rs. 1,181,587. for the Assessment Year 2002-03.
5. The Company is in the process of filing has filed an appeal before the Income-tax Appellate Tribunal against the order of Commissioner of Income-tax (Appeals), Ahmedabad, received by us on December 01, 2006, for the assessment year 2003-04, wherein the assessing officer has computed the deduction u/s. 80HHC as regards incentives without ignoring the losses, thereby raising a demand of Rs. 2,265,317. Subsequently the Assessing Officer revised the demand to Rs. 16,07,120 by passing an order u/s 250 of the Income-tax Act.
6. The Company has filed an appeal before the Asst. Commissioner of Income-tax (Appeals), Ahmedabad, against the order of the Assessing officer dated August 31, 2006, for the assessment year 2004-05, wherein the assessing officer has computed the deduction u/s. 80HHC as regards incentives without ignoring the losses, thereby raising a demand of Rs. 3,733,099. The said appeal is pending.

Cases involving Directors

Paru M. Jaykrishna

The Gujarat Pollution Control Board has filed criminal case before Judicial Magistrate, Kadi under section 25 alongwith section 44 of Water Pollution Treatment and Control no. 932/92 against AksharChem (India) limited in the Kadi Court for not treating the Hazardous chemical before releasing into the water. The hearing is pending

Munjal M. Jaykrishna

The Gujarat Pollution Control Board had filed criminal case no. 640/97 dated June 09, 1997 against AksharChem (India) Ltd. and Mr. Munjal M. Jaykrishna in the Kadi Court for alleged discharge of hazardous waste. The Kadi Court has passed an order against AksharChem (India) Limited and Mr. Munjal Jaykrishna on September 17, 2004. AksharChem (India) Limited and Mr. Munjal Jaykrishna filed an appeal before the Sessions Court, Mehsana on December 13, 2004. The Session Court, Mehsana upheld the order of Kadi Court vide its order dated January 25, 2006. AksharChem (India) Limited and Mr. Munjal Jaykrishna filed an appeal against the order of the Session Court, Mehsana before the Gujarat High Court on April 24, 2006. The appeal is pending disposal before the Gujarat High Court

Cases involving Group Companies

AksharChem (India) Limited

Tax Cases

1. The Department of Income Tax has filed an appeal before the Income Tax Appellate Tribunal, Ahmedabad against the order dated August 23, 2004, of the Commissioner of Income Tax (Appeals), (“CIT (A)”) for assessment year 2001-02, which overruled the order of the Assessing officer and the demand raised therein of Rs. 1,129,189, in respect of computation of deduction u/s. 80HHC as regards incentives after ignoring the losses, and charging of consequential interest u/s. 234B and penalty proceedings u/s. 271 (1)(c). The said appeal is pending.
2. AksharChem (India) Ltd. has filed an appeal before the Deputy Commissioner of Income-tax (Appeals), Ahmedabad, against the order of the Assessing officer dated March 13, 2006, for the assessment year 2003-04, wherein the assessing officer has computed the deduction u/s. 80HHC as regards incentives without ignoring the losses, thereby raising a demand of Rs. 4,427,234. The said appeal is pending.
3. AksharChem (India) Ltd. has filed an appeal before the Asst. Commissioner of Income-tax (Appeals), Ahmedabad, against the order of the Assessing officer dated August 30, 2006, for the assessment year 2004-05, wherein the assessing officer has computed the deduction u/s. 80HHC as regards incentives without ignoring the losses, thereby raising a demand of Rs. 282,797. The said appeal is pending.

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Indirect tax Cases

1. Aksharchem (India) Ltd. has filed an appeal before the Gujarat Sales tax Tribunal for the period 1997-98, regarding disallowance of setoff under rule 42, of Rs. 129,951.
2. Aksharchem (India) Ltd. has filed an appeal before the Dy. Commercial Tax Commissioner (Appeal), for the period 2004-05, regarding disallowance of the consignment sale of DEPB licence against Form F, amount to Rs. 1847880.

Others

- 1 The Gujarat Pollution Control Board has filed criminal case before Judicial Magistrate, Kadi under section 25 alongwith section 44 of Water Pollution Treatment and Control no. 932/92 against Audichem (India) limited in the Kadi Court for not treating the Hazardous chemical before releasing into the water. The hearing is pending
- 2 The Gujarat Pollution Control Board had filed criminal case no. 640/97 dated June 09, 1997 against AksharChem (India) Ltd. and Mr. Munjal M. Jaykrishna in the Kadi Court for alleged discharge of hazardous waste. The Kadi Court has passed on order against AksharChem (India) Limited and Mr. Munjal Jaykrishna on September 17, 2004. AksharChem (India) Limited and Mr. Munjal Jaykrishna filed an appeal before the Sessions Court, Mehsana on December 13, 2004. The Session Court, Mehsana upheld the order of Kadi Court vide its order dated January 25, 2006. AksharChem (India) Limited and Mr. Munjal Jaykrishna filed an appeal against the order of the Session Court, Mehsana before the Gujarat High Court on April 24, 2006. The appeal is pending disposal before the Gujarat High Court

Skyjet Aviation Private Limited

Tax Cases

1. Asst. Commissioner of Income Tax, Ahmedabad has filed certain cases against the company, for concealment of income and filing of wrong return of income for the assessment year 1984-85 during the year 1993 and re-opened the return filed with Income Tax Departement for the assessment years 1982-83 to 1986-87. The contention of the Assessing Officer was that there are certian income which would be added to the income of assessee. Accordingly certain addition in the income had been made by Assessing Officer. The company had filed a case against the additions to the Tribunal vide Form no. 36. At present ITAT order clearly mentioned to work out consolidated peak and also deleted certain additions made by CIT (Appeal). and therefore there will be no addition during the A.Y. 1984-85. Assessing Officer has to work out consolidated peak from A.Y. 1982-83. No tax demand is pending as on date.

As the issue of Cash Credit is to be decided afresh, the consequential penalty proceedings initiated u/s 271(1) (c) of the I T Act in relation to such cash credit in the Asst. order dt.30.12.1986 for A.Y.1984-85 stands consequently cancelled till a fresh

Giving of effect to the order passed of ITAT is pending before A.O. - for A.Y.83-84, 84-85, 85-86 and before A.O. - for A.Y.83-84, 84-85, 85-86 and A.Y.86-87 to 89-90. (Refer A.O.'s letter dt.07.10.2003)

Material Developments

In the opinion of our Board, there have not arisen, since the date of the last financial statements disclosed in this RHP, any circumstances that materially or adversely affect or are likely to affect our profitability taken a s a whole or the value of our consolidated assets or our ability to pay our material liabilities within the next 12 months

Government Approvals

The Company does not require any letter of intent or industrial license from the Gol for carrying out its current operations or those proposed in this Red Herring Prospectus. The Company also does not require any permission or approval from the Gol and various Gol agencies for proceeding with the proposed capital expenditure from the proceeds of the Issue except those mentioned in this Red Herring Prospectus. The Company does not require any further approval from any Gol authority or RBI to undertake the proposed activities save and except those consents and approvals, which it may require to take in the normal course of business from time to time.

The Company has received all the necessary consents, licenses, permissions and approvals from the Gol and various Gol agencies / private certification bodies required for our present business and no further approvals are required for carrying on the present as well as our proposed business except as mentioned herein. It must, however, be distinctly understood that in granting the following consents/ licenses/ permissions/ approvals, the Gol does not take any responsibility for our financial soundness or for the correctness of any of the statements or any commitments made or opinions expressed.

1. Quality certificate for ISO 9001:2000 for Vadodara plant vide certificate no. QMS/C0485/0413 and valid until March 9, 2009 issued by Intal Quality Certification Pvt. Ltd.

2. Quality certificate for Environmental Management System Standard (EMS) 14001: 2004 for Vadodara plant vide certificate no. EMS/C0002/002 dated 9th June 2006 and valid upto June 8, 2009 issued by Intal Quality Certification Pvt. Ltd.
3. Quality Certificate for ISO 9001:2000 for Mehsana plant vide certificate no.05I02257dated December 8, 2004 valid till December 7, 2007 issued by KPMG
4. Original License no.Div-II/01/EOU/AS/2004-2005for Vadodara plant extended for a period of one year i.e. upto 6th July 2007 of license issued under section 58 of the customs act,1992 relating to private bonded warehouse for the storage of imported goods without payment of duty and for carrying out manufacturing activity in the bonded premises under sec 65 of the customs act from the Assistant commissioner of Central exercise & Customs div. II Vadodara I.
5. Water Consent No. 6567under section 25 of the Water (prevention and Control of Pollution) Act 1974 dated 9th August 2005 from the Gujarat Pollution Control Board for the discharge of trade effluent by the plant. This consent is valid until18th March 2010.
6. Air Consent Order no.6567 under section 21 of the Air (Prevention and Control of Pollution) Act 1981 dated 9th August 2005 from the Gujarat Pollution Control Board. This consent is valid until 18th March 2010
7. Licence to Import and Store Petroleum in installation no. HQ/GJ/15/4415(P19331) dated 27th August 2002 for Mehsana plant valid upto 31st December 2008 issued by the Ministry of Commerce and Industry Petroleum Safety Organisation for the importation of 15KL per
8. A Certificate from the Income Tax Officer at Ahmedabad Gujarat dated 25th June 2001 for allotment of Tax Deduction Account Number AHMA00337B .
9. Registration of goods Dyes & Dye Intermediates falling under Ch.29 & Synthetic Organic Dyes/Pigment of Ch.32 & Allied Chemicals. Registration number CHEM/AHD/A-86/ME/05-06/9522 dated 1st April 2005 valid upto 31st march 2010 from Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council.
10. Registration with Federation of Indian Export Organisations number FIEO/WR/4362/2002/4362 valid upto 31st march 2009.
11. Central Excise Registration Certificate Number AAACA9713DXD001 under rule 9 of the Central Excise Rules,2002 for operating as a dealer of excisable goods at Mehsana plant from Deputy Commissioner/Asst. Commissioner of Central Excise
12. FIPB approval for the subscription of 8,65,200 equity shares of Rs. 10/- each of the Company by DIC, Japan

Other Registrations

In addition to the various project related approvals, permissions and consents listed above the Company have also obtained the registrations to conduct their business activities, including:

1. Registration under the Contract Labour (Regulation and Abolition) Act, 1970;
2. Registration under the Employees Provident Fund and Miscellaneous Provisions Act, 1952;
3. Registration with the Income Tax Department, including, for Tax-deduction Account Number and Permanent Account Number;
4. Registration for Value Added Tax and Sales Tax;
5. Registrations under the Central Sales Tax Act, 1956;
6. Registrations under the Gujarat Tax on Professions, Trade, Calling and Employment Act, 1976;
7. Certificate of Importer-Exporter Code;
8. Central Excise Registration Certificate;
9. Registration under the Standards of Weights and Measures (Enforcement) Act, 1985; and
10. Consents from lenders and statutory authorities in relation to financing and investment related activities

Some of the registrations/licenses/approvals obtained by us may have expired in the ordinary course of business or are in the process of being applied for. We undertake to obtain all approvals, licenses, registrations and permissions from time to time as and when it may be required to operate our projects and related business activities.

SECTION VII : OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Present Issue

The Board of Directors have, pursuant to a resolution passed at its meeting held on November 28, 2006 authorised the issue, subject to the approval of the shareholders of our Company under section 81(1A) of the Companies Act, 1956.

Our shareholders have authorized the issue by a special resolution adopted pursuant to section 81(1A) of the Companies Act, 1956 passed at the Extraordinary General Meeting held on October 20, 2006.

Prohibition by SEBI

Neither our Company, nor our Promoters, our directors, or any of our Promoter Group Companies the companies or entities with which our directors are associated with, as directors or promoters, have been prohibited from accessing or operating in the capital market or restrained from buying, selling or dealing in securities under any order or directions passed by SEBI.

Neither our company nor our Directors, our Promoters, Promoter Group Companies or relatives of Promoters have been detained as willful defaulters by RBI/ government authorities and there are no proceedings relating to violations of securities laws pending against them and there are no violations of securities laws committed by them in the past except as disclosed in the "Risk Factors" appearing on page no.ix of this Red Herring Prospectus.

Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI DIP Guidelines as explained under, with the eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- Our Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Clause 2.2.1(a) of the SEBI DIP Guidelines;
- Our Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI DIP Guidelines;
- Our Company has a net worth of at least Rs. 10 million in each of the three preceding full years and is compliant with Clause 2.2.1(c) of the SEBI DIP Guidelines;
- The aggregate of the proposed Issue size and all previous issues made in the same financial year in terms of size (i.e. offer through the offer document + firm allotment + promoter's contribution through the offer document) is not expected to exceed five times the pre-Issue net worth of our Company as per the audited balance sheet of the last financial year and is compliant with Clause 2.2.1(e) of the SEBI DIP Guidelines.
- There has been no change in the name of our Company in the last one year.

Our net tangible assets, monetary assets, net profits (as restated) and networth (as restated) as derived from the financial statements (Restated), as per Indian GAAP and included in this Red Herring Prospectus under the section titled "Financial Statements", as at, and for the last five years ended March 31, 2006 is set forth below:

(Rs. in million)

	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Net tangible assets ⁽¹⁾	243.19	186.28	121.36	97.14	102.99
Monetary assets ⁽²⁾	9.24	5.52	3.34	3.76	6.35
Net profits, as restated	26.46	11.96	10.43	24.97	25.98
Net worth, as restated	102.57	87.32	81.16	74.90	66.05

(1) Net tangible assets is defined as the sum of fixed assets (including capital work in progress and capital advances and excluding revaluation reserves), investments, current assets (excluding deferred tax assets) less current liabilities and short term liabilities.

(2) Monetary assets include cash on hand and bank balances and investments in mutual funds.

For a complete explanation of the above figures please refer to the section entitled "Financial Statements" beginning on page 84 of this Red Herring Prospectus.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we undertake that the number of Allottees, i.e. Persons receiving allotment in the issue shall be atleast 1,000 failing which the entire application money will be refunded forthwith. In case of delay, if any, in refund, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay..

SEBI DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THIS ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, FORTUNE FINANCIAL SERVICES (INDIA) LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES 2000, AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER - FORTUNE FINANCIAL SERVICES (INDIA) LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED DECEMBER 12, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

(1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;

(2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

(3) WE CONFIRM THAT:

- A. THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THIS ISSUE;**
- B. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;**
- C. THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;**
- D. BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND**
- E. WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.**

(4) WE CERTIFY THAT A WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS A PART OF PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING OF THE RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF THE LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, GUJARAT IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT, 1956.

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THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTIONS 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER, RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS

All legal requirements pertaining to the issue will be complied with at the time of filing the Red Herring Prospectus with the RoC in terms of section 60B of the Companies Act. All legal requirements pertaining to the issue will be complied with at the time of registration of the prospectus with the RoC in terms of section 56 and section 60 and section 60B of the Companies Act.

DISCLAIMER FROM THE ISSUER AND THE BOOK RUNNING LEAD MANAGER

Our Company, our Directors and the Book Running Lead Managers accepts no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisement or any other material issued by or at our instance and that anyone placing reliance on any other source of information, including our website, would be doing so at his or her own risk.

The Book Running Lead Managers accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Book Running Lead Managers and our Company dated December 12, 2006 and the underwriting agreement to be entered into between the underwriter and us.

All information shall be made available by us, the Book Running Lead Managers to the public and investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever including road show presentations, research or sales reports or at bidding centres or elsewhere.

Neither our Company nor BRLM or Syndicate Members shall be liable to the Bidders for any failure in downloading the bids due to faults in any software/ hardware system or otherwise.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the issue to the public including devolvement of underwriters within 60 days from the Bid/ Issue Closing Date, our Company shall forthwith refund entire subscription amount received. If there is a delay beyond 8 days after our Company is liable to pay the amount, our company shall pay interest prescribed u/s 73 of the Companies Act 1956.

CAUTION

Investors that bid in this Issue will be required to confirm and will be deemed to have represented to the Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares. Our company and the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.

DISCLAIMER IN RESPECT OF JURISDICTION

This Issue is being made in India to persons resident in India (including Indian nationals resident in India), who are majors, Hindu Undivided Families, Companies, Corporate Bodies and Societies registered under the applicable laws in India and authorized to invest in shares, Indian Mutual Funds registered with SEBI, Indian Financial Institutions, Commercial Banks, Regional Rural Banks, Co-operative Banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to NRIs on non-repatriable basis and FIIs registered with SEBI. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an issue or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes into is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Ahmedabad only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and the final Red Herring Prospectus has been filed with ROC as per the provisions of the Act. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no

change in the affairs of our company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the US Securities Act (“the Securities Act”) or any state securities laws in the United States and may not be issued or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act Accordingly, the

Equity Shares are only being issued and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those issues and sales occur.

DISCLAIMER CLAUSE OF BOMBAY STOCK EXCHANGE LIMITED (BSE, the Designated Stock Exchange)

The Bombay Stock BSE Limited (“BSE”) has given vide its letter dated February 8, 2007 permission to this Company to use the BSE’s name in this offer document as one of the stock exchanges on which this company’s securities are proposed to be listed. The BSE has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The BSE does not in any manner :-

- 1) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- ii) warrant that this Company’s securities will be listed or will continue to be listed on the BSE; or
- iii) take any responsibility for the financial or other soundness of this company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the BSE. Even, person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

FILING OF PROSPECTUS WITH THE BOARD AND ROC

A copy of this Red Herring Prospectus has been filed with SEBI at SEBI Bhavan, Bandra – Kurla Complex, Bandra East, Mumbai.

A copy of Red Herring Prospectus, along with the documents to be filed under Section 60B of the Companies Act, 1956 will be delivered to the Registrar of Companies, Gujarat situated at ROC Bhawan, Opp. Rural Park, Behind Ankur Bus Stop, Ahmedabad-380013. A copy of the Prospectus, required to be filed under section 60 of the Companies Act, 1956 would be delivered for registration to the Registrar of Companies, Gujarat, ROC Bhawan, Opp.Rural Park, Behind Ankur Bus Stop, Ahmedabad-380013.

IMPERSONATION

As a matter abundant caution, attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, 1956 which is reproduced below:

“Any person who:

- (a) makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or**
- (b) otherwise induces a Company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,**

shall be punishable with imprisonment for a term which may extend to five years.”

LISTING

The initial listing applications have been made to Bombay Stock Exchange Ltd. (BSE) for permission to list the Equity Shares and for an official quotation of the Equity Shares of our company. Bombay Stock Exchange Ltd. will be the Designated Stock Exchange.

In case the permission for listing of the Equity Shares and for official quotation of the Equity Shares is not granted by any of the above mentioned Stock Exchanges, our company shall forthwith repay, without interest, all monies received from the applicants in pursuance of this Red Herring Prospectus and if such money is not repaid within eight days

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after the day from which our Company becomes liable to repay it from the date of refusal or within 70 days from the Bid/Issue closing date whichever is earlier,, then the company and every director of our company who is an officer in default shall, on and from the expiry of 8 days, be jointly and severally liable to repay the money with interest at the rate of 15% p.a. prescribed under Section 73 of the Companies Act 1956.

Our company with the assistance of the Book Running Lead Manager shall ensure that all steps for the completion of necessary requirements for listing and commencement of trading at the Stock Exchange mentioned above are taken within seven days of finalization and adoption of the Basis of Allotment for the Issue.

CONSENTS

Consents in writing of: (a) our Directors, the Company Secretary, Compliance Officer, the Auditors, Bankers to our company, Bankers to the Issue; and (b) Book Running Lead Managers to the Issue and syndicate members, Registrars to the Issue and Legal advisors to the Issue and the underwriters, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Gujarat, Ahmedabad as required under Sections 60 of the Companies Act, 1956 and such consents have not been withdrawn up to the time of delivery of a copy of this Red Herring Prospectus, for registration with the Registrar of Companies, Gujarat, Ahmedabad.

M/s Trushit Chokshi & Associates, the Statutory Auditors, have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which it appears in this Red Herring Prospectus and also tax benefits accruing to our company and to the members of our company in the form and context in which it appears in this Red Herring Prospectus and such consent and report have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the Registrar of Companies, Gujarat, Ahmedabad.

EXPERT OPINION

No opinion of any expert has been obtained by our company, except that of M/s Trushit Chokshi & Associates, Statutory Auditors of our company.

ISSUE RELATED EXPENSES

The expenses for this Issue includes issue management fees, selling commission, distribution expenses, legal fees, fees to advisors, stationery costs, advertising expenses and listing fees payable to the Stock Exchanges, among others. The total expenses for this Issue are estimated as under at approximately Rs. [·] Lakhs, details of which are as under:

(Rs. in Million)

Activity	% OF TOTAL Issue Size
Issue Management	[·]
Registrars fees	[·]
Printing & Distribution of Issue Stationery	[·]
Advertising and Marketing expenses	[·]
Brokerage and Selling commission	[·]
Other expenses	[·]
Total	[·]

Fees Payable to the Book Running Lead Manager, Brokerage and Selling Commission

The total fees payable to the Book Running Lead Manager including brokerage and selling commission for the Issue will be as per the Memorandum of Understanding executed between our company and the Book Running Lead Manager dated December 12, 2006, copy of which is available for inspection at the Registered Office of our company.

Fees Payable to the Registrar

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding executed between our company and the Registrar dated December 12, 2006 copy of which is available for inspection at the Registered Office of our company.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund order(s) or allotment advice by registered post or speed post or under certificate of posting.

Previous Public and Rights Issues

Our company has not made any public or rights issue since its inception.

Previous Issues of Shares otherwise than for Cash

We have not issued shares for consideration other than for Cash except issue of bonus shares and issue of shares to the shareholders of Asahi Dychem upon the merger of Asahi Dyschem with our Company as stated in section titled “Capital Structure” on page 13.

Commission and Brokerage paid on previous Issues

Since this is an initial Public Issue of the Equity Shares, no sum has been paid/ is payable as commission or brokerage for subscribing to or procuring for, or agreeing to procure subscription for any of the Equity Shares of the Company since its incorporation.

Companies under the same Management

Our Company does not have any other company under the same management within the meaning of Section 370 (1) (B) of the Companies Act, save and except for the Promoter group companies mentioned in the section titled “Our Promoters and Group Entities” beginning on page 76 of this Red Herring Prospectus. No group company under the same management within the meaning of Section 370 (1) (B) of the Companies Act 1956 has made any capital issue during the last 3 years.

Promise vis-a-vis Performance

1. Last three issues made by Issuer Company

Our company has not made any issue of equity shares to the public prior to the present Public Issue.

2. Last issue of the listed ventures of Promoter group

AksharChem (India) Limited had made an offering to the public in June 1994 to raise 25.59 million. For more details please refer to the chapter titled “Financial and Other Information of Group Companies” on page 77 of this Red Herring Prospectus.

Outstanding Debentures, Bonds, Redeemable Preference Shares or other Instruments

Our company, since its incorporation has not issued any Redeemable Preference shares and debentures, bonds or other instruments.

Stock Market Data for our Equity Shares

This being the Initial Public Issue of our company, no Stock Market Data is available.

Mechanism for Redressal of Investor Grievances

The Memorandum of Understanding between the Registrar to the Issue and our company, will provide for retention of records with the registrar to the Issue for a period of atleast one year from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the registrar to the Issue for the redressal of their grievances.

All grievances relating to the Issue may be addressed to the registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, depository participant number and beneficiary account number, and the bank branch or bidding center where the application was submitted.

Disposal of Investor Grievances

Our Company estimate that the average time required by us or the Registrar to the Issue for the redressal of the routine investor grievances should be fifteen days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Our Company has appointed Mr. Ashok Kumar Pareek as Compliance Officer and he may be contacted in case of any pre issue/post issue related problems. The Compliance Officer can be contacted at the following address:

Mr. Ashok Kumar Pareek

Vice President (Finance)
167/168, Indrad Village, Kadi Kalol Road,
Dist. Mehsana, Gujarat-382727
Tel: +91-2764- 233007 / 08 / 09 / 10
Fax: +91-2764- 233020 / 550
Email: akp@asahisongwon.com

Changes in Auditors

The auditors of our Company are appointed (and reappointed) in accordance with provisions of the Companies Act and their remuneration, rights and duties are regulated by Sections 224 to 233 of the Companies Act.

There have been no changes of the statutory auditors in the last three years

Capitalization of Reserves or Profits (during the last five years)

Our Company has not capitalized the profits or reserves at any time except as stated in the Section titled “Capital Structure” on page no. 13 of this Red Herring Prospectus.

Revaluation of Assets (during the last five years)

Our company has not revalued its assets during the last five years.

Payment or benefit to our officers

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation. Other than as disclosed in the section titled “Financial Statements” on page 84 of this Red Herring Prospectus, none of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

Other Disclosure

Except as disclosed in the section titled “Capital Structure “ beginning on page 13 our Promoter Group, or the Directors of our Promoter companies or our Directors have not purchased or sold any securities during the period of six months preceding the date of this Red Herring Prospectus.

SECTION VIII : ISSUE RELATED INFORMATION

TERMS OF ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Red Herring Prospectus, Red Herring Prospectus, the Prospectus, the Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the Allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, BSE, the RBI, ROC and/ or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by the Company after the date of allotment. See the section titled “Main Provisions of the Articles of Association of the Company” beginning on page 150 for a description of the Articles of Association of the Company.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Floor Price is Rs.90 and the Cap Price is Rs. 108 per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares subject to the applicable laws.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholders

Subject to applicable laws, regulations, rules and guidelines and the Memorandum and Articles of Association, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a show of hands in person or a poll either in person or by proxy;
- Right to receive annual reports and notices to members;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, rescission, transfer and transmission and/or consolidation/splitting, see “Main Provisions of Articles of Association of the Company” on page 150.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors. **Since trading of our Equity Shares will be in dematerialised mode, the tradable lot is one equity share.**

Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Share to the successful Bidders subject to a minimum Allotment of 60 Equity Shares. For details of allocation and allotment, see “Issue Procedure” on page 129.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of the sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. A fresh nomination can be made only on the prescribed form available on request at the registered office of the Company or at the registrar and transfer agent of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by our Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

ISSUE STRUCTURE

Public Issue of [●] Equity Shares of face value of Rs. 10/- issued at a price of Rs. [●] per Share for a cash at a premium of [●] aggregating to Rs. 335 million. The Issue would constitute 25% of the fully diluted post issue paid up Equity Share Capital of our company.

	QIBs	Non-Institutional Bidders	Retail individual Bidders
Number of Equity Shares*	Up to [●] Equity Shares must be allotted to QIB	At least [●] Equity Shares shall be available for allocation.	At least [●] Equity Shares shall be available for allocation.
Percentage of Issue Size Available for allocation	Up to 50% of the Issue (of which 5% shall be available for allocation for Mutual Funds)*. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs.	At least 15% of Issue to Public or Issue to Public less allocation to QIB Bidders and Retail Individual Bidders	At least of 35% of Issue to Public or Issue to Public less allocation to QIB Bidders and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Proportionate as follows: Equity Shares constituting 5% of the QIB portion shall be allocated on a proportionate basis to Mutual Funds in the Mutual Funds Portion: The balance Equity Shares of the QIB portion shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares in multiples of 60 so that the Bid Amount exceeds Rs. 1, 00,000 and in multiples of 60 Equity Shares thereafter.	Such number of Equity Shares in multiples of 60 so that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 60 Equity Shares thereafter	60 Equity shares and in multiples of 60 Equity Share thereafter
Maximum Bid	Such number of Equity Shares not exceeding the Issue to the Public, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue to Public, subject to applicable limits.	Such number of Equity Shares whereby the Bid amount does not exceeds Rs. 1,00,000
Mode of Allotment	Compulsorily in dematerialized mode	Compulsorily in dematerialized mode	Compulsorily in dematerialized mode
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Bidding Lot	60 Equity Shares	60 Equity Shares	60 Equity Shares
Who can apply**	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI and State Industrial Development Corporations, permitted insurance companies registered with the		

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	QIBs	Non-Institutional Bidders	Retail individual Bidders
	Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 lakhs (subject to applicable laws) and pension funds with minimum corpus of Rs. 2500 lakhs in accordance with applicable laws.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions, societies and trusts.	Individuals (including NRIs and HUFs) applying for Equity Shares such that the Bid amount does not exceed Rs. 100,000 in value.
Terms of Payment	Margin Money applicable to QIB Bidders shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Money applicable to Non institutional Bidders shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Money applicable to Retail Individual Bidders shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	10% of the bid amount	100% of the Bid amount on Bidding	100% of the Bid amount on Bidding

* Subject to valid Bids being received at or above the Issue Price.

Under-subscription, if any, in any category except in the QIB category would be met with spill-over from other categories at our sole discretion, in consultation with the BRLMs.

** In case the Bid cum Application Form is submitted in Joint names, the Investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

ISSUE PROCEDURE

BOOK BUILDING PROCEDURE

The Issue is being made through the 100% Book Building Process wherein upto 50% of the Issue shall be allotted on a proportionate basis to QIBs, of which 5% shall be reserved for Mutual Funds. Further, not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. However, the Bids by QIB shall be submitted only to the BRLM. In case of QIB Bidders, our Company in consultation with the BRLM may reject Bids at the time of acceptance of the Bid-Cum-Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Bids under the Non-Institutional Portion, Bids under the Retail Portion, Bids would not be rejected except on technical grounds listed in this Red Herring Prospectus.

Investors should note that Equity Shares will be allotted to successful Bidders only in the dematerialized form. Bidders will not have the option of getting allotment in physical form. The Equity Shares, on allotment shall be traded only in the dematerialized segment of the Stock Exchange.

BID-CUM-APPLICATION FORM

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, ("CAN"), and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized the Company to make the necessary changes in this Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public or NRI applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund/ Multilateral and Bilateral Development Financial Institutions applying on repatriation basis	Blue

WHO CAN BID

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies and corporate bodies not having majority ownership and control of persons resident outside India and societies registered under the applicable laws in India and authorized to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations, as applicable);
6. Venture Capital Funds registered with SEBI;
7. Foreign Venture Capital Funds registered with SEBI;
8. State Industrial Development Corporations;
9. Multilateral and bilateral development financial institutions;

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10. Insurance companies registered with the Insurance Regulatory and Development Authority;
11. Provident funds with minimum corpus of Rs. 2,500 lac and who are authorized under their constitution to hold and invest in Equity Shares;
12. Pension funds with minimum corpus of Rs. 2,500 lac and who are authorized under their constitution to hold and invest in Equity Shares;
13. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorized under their constitution to hold and invest in Equity Shares; and
14. Eligible NRIs and other Non Residents including FIIs on a repatriation basis or non-repatriation basis subject to applicable laws; and
15. Scientific and/ or Industrial Research Organizations authorized to invest in Equity Shares.

Note:

Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Participation by Associates of BRLM and Syndicate Members

Associates of BRLM and Syndicate Members may bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in Non-Institutional Portion as may be applicable to such investors. Such bidding and subscription may be on their own account or on behalf of their clients. Allotment of all investors including associates of BRLM and Syndicate Members shall be on a proportionate basis.

Further, the BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

HOW TO APPLY – AVAILABILITY OF FORMS, RED HERRING PROSPECTUS AND MODE OF PAYMENT

APPLICATION BY MUTUAL FUNDS

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund portion. In the event that the demand is greater than [●] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB portion, after excluding the allocation in the Mutual Fund portion.

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights. Further, Bidders may bid as per the limits prescribed above.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

APPLICATION BY NRIs

Bid cum Application Forms have been made available for NRIs at the Registered Office of the Company.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians (white in colour). All instruments accompanying Bids shall be payable in Mumbai only.

APPLICATION BY FIIs

As per current regulations, the following restrictions are applicable for investment by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company (i.e. 10% of [·] Equity Shares). In respect of an FII investing in Equity Shares of the Company on behalf of its sub-accounts, the investment

on behalf of each sub-account shall not exceed 10% of the total issued capital of the Company. As of now, the aggregate FII holding in the Company cannot exceed 24 % of the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date, no such resolution has been recommended for adoption.

BIDS BY NRIs OR FIIs ON A REPATRIATION BASIS

Bids and revision to Bids must be made:

- On the Bid cum Application Form or Revision Form, as applicable, (Blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single or joint names (not more than three).
- Bids by NRIs for a Bid Amount of up to less than Rs. 1,00,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than or equal to Rs. 1,00,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity Shares and in multiples of 60 Equity Shares thereafter so that the Bid Amount exceeds Rs. 1,00,000; for further details, please refer to the sub-section titled "Maximum and Minimum Bid Size" beginning on page 127 of this Red Herring Prospectus.
- In the names of individuals or
- in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCBs.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be despatched by registered post/speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

APPLICATION BY SEBI REGISTERED VENTURE CAPITAL FUNDS AND FOREIGN VENTURE CAPITAL INVESTORS

As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds:

The SEBI (Venture Capital Funds) Regulations, 1996 prescribed investments restriction on the venture capital funds registered with SEBI. Accordingly, holding in the Company by any individual venture capital fund registered with SEBI should not exceed 25% of its corpus.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

MAXIMUM AND MINIMUM BID SIZE

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of 60 Equity Shares and in multiples of 60 Equity Shares thereafter, so as to ensure that the Bid amount payable by the Bidder does not exceed Rs. 100,000/-. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. In case the Bid amount is more than Rs. 1,00,000 due to revision of the Bid, or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- (b) **For Non-Institutional Bidders and QIBs Bidders:** The Bid must be for a minimum of such Equity Shares such that the Bid Amount exceeds Rs. 100,000/- and in multiples of 60 Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision of bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000/-. In case the Bid Amount reduces to Rs. 100,000/- or less due to a revision in Bids, the same would be

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considered for allocation under the Retail portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'Cut-Off'.

INFORMATION FOR BIDDERS

- (a) Our Company will file the Red Herring Prospectus with the Registrar of Companies, Gujarat at least 3 (three) working days before the Bid/Issue Opening Date.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our corporate office or from any of the BRLM/Syndicate Members.
- (d) Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLM or Syndicate Member or their authorised agent(s) to register their Bid.
- (e) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

METHOD AND PROCESS OF BIDDING

- (a) Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with Registrar of Companies, Gujarat and also publish the same in one English national newspaper, one Hindi national newspaper and one regional language newspaper. This advertisement shall contain the disclosures as prescribed in Schedule XX-A of the SEBI Guidelines, as amended from time to time. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period.
- (b) Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.
- (c) The Bidding Period shall be a minimum of three working days and shall not exceed ten working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and one regional language newspaper by indicating on the websites of the BRLM and at the terminals of the members of the Syndicate. The Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding 10 working days.
- (d) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" below on page 133 of this Red Herring Prospectus) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- (e) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph "Build up of the Book and Revision of Bids" on page 135 of this Red Herring Prospectus.
- (f) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- (g) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment" on page 134 of this Red Herring Prospectus.
- (h) The BRLM and Syndicate Member will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form. It is the responsibility of the Bidder to obtain the TRS from the members of the Syndicate.

BIDS AT DIFFERENT PRICE LEVELS

- (a) The Price Band has been fixed at Rs. 90 to Rs. 108 per Equity Share of Rs. 10/- each, Rs. 90 being the Floor Price and Rs. 108 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Rs 10/-. In accordance with SEBI Guidelines, the Company in consultation with the BRLM can revise the Price Band by informing the Stock Exchanges, releasing a press release, disclosure on the website of the members of the Syndicate, if any and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the Issue will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. The Company in consultation with BRLM can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- (b) The Bidders can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at "Cut-off" where the value of the Bid is less than Rs. 1,00,000/-. However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
- (c) Retail Individual Bidders, who bid at the Cut-Off, agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Account.
- (d) The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% of the Cap Price and the Floor Price disclosed in the Red Herring Prospectus.
- (e) Any revision in the Price Band shall be widely disseminated including by informing the Stock Exchanges, issuing a press release and making available this information on the Bidding terminals.
- (f) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 60 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000/- to Rs. 7,000/-.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band, with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 1,00,000/-, the Bid will be considered for allocation under the Non Institutional category in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off.
- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut Off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

Option to Subscribe

Equity Shares being offered through the Red Herring Prospectus can be applied for in dematerialized form only.

ESCROW MECHANISM

Escrow Account

Our Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company. Payments of refunds to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar to the Issue and BRLM and Syndicate Members to facilitate collections from the Bidders.

Payment of refund, if any, to the Bidders shall also be made from the respective Escrow Account by the Escrow Collection Banks, as per the terms of the Escrow Agreement and this Red Herring Prospectus.

TERMS OF PAYMENT AND PAYMENT INTO THE ESCROW COLLECTION ACCOUNT

In case of Non-institutional Bidders and Retails Individual Bidders, each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his Bid in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph "Payment Instructions" on page 141 of this Red Herring Prospectus and submit the same to the members of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash and Stock invest shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account or Refund Account with the Bankers to the Issue, as applicable. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment to the Bidders.

In case of QIBs, each QIB shall, with the submission of the bid cum application form draw a cheque or demand draft for 10% of the maximum amount of his bid in favour of the Escrow account of the Escrow collection bank. The balance amount shall be payable for the allocated Equity Shares by QIBs no later than the pay-in date specified in the CAN. If the payment is not made favouring the Escrow Account within the time stipulated above, the application of the Bidder is liable to be rejected and the margin amount will be refunded.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/ Issue Closing Date, failing which and the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

ELECTRONIC REGISTRATION OF BIDS

- (a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where a stock exchange is located in India and where Bids are accepted.
- (b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the Company shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) Aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:
 - Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint name and are in the same sequence in which they appear in the Bid cum Application Form).
 - Investor Category – Employee, Individual, Corporate, NRI, FII, or Mutual Fund, etc.
 - Numbers of Equity Shares bid for
 - Bid price
 - Bid-cum-Application Form number
 - Whether payment is made upon submission of Bid-cum-Application Form

- Margin Amount; and
 - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind
- (g) The members of the Syndicate have the right to review the Bid. The Syndicate Members have right to reject a bid received from a QIB at the receipt of Bids. However, the Syndicate Members shall disclose the reason for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids shall not be rejected except on the technical grounds listed on page 143 in this Red Herring Prospectus
- (h) It is to be distinctly understood that the permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company, and BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company
- (i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE/ BSE

BUILD UP OF THE BOOK AND REVISION OF BIDS

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE/ BSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate through whom he or he had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIBs, the members of the Syndicate shall collect the payments in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Syndicate Member. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.
- (h) In case of discrepancy of data between BSE/ NSE and the Syndicate Member, the decision of the BRLM based on physical records of Bid-cum-Application Forms shall be final and binding to all concerned.

PRICE DISCOVERY AND ALLOCATION

- (a) After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.
- (b) The Company, BRLM shall finalise the “Issue Price” and the number of Equity Shares to be allotted.
- (c) The allocation for QIBs, upto 50% of the Issue, of which 5% shall be reserved for Mutual Funds would be proportionate. The allocation to Non-Institutional Bidders, and Retail Individual Bidders of not less than 15% and 35% of the Issue, respectively, would be on proportionate basis, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Under subscription, if any, in Non-Institutional and Retail categories would be allowed to be met with spill over from any of the other categories at the discretion of the Company and the BRLM. However, if the aggregate demand by Mutual Funds is less than [·] Equity Shares, the balance Equity Shares from the portion specifically available for allocation to Mutual Funds in the QIB Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids. Any under subscription in the Equity Shares reserved for allocation to Bidders in the Employee Reservation Portion would be treated as part of the Issue to the public and allocation in accordance with the Basis of Allocation described in the section “Statutory and Other Information” beginning on page 118 of this Red Herring Prospectus.
- (e) The BRLM, in consultation with us, shall notify the Syndicate Member of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (f) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allotment.
- (g) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the closure of Bidding.
- (h) The allotment details shall be put on the website of the Registrar to the Issue.

SIGNING OF UNDERWRITING AGREEMENT AND ROC FILING

- (a) The Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed ‘Prospectus’. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

FILING OF THE PROSPECTUS WITH ROC

The Company will file a copy of the Prospectus with the Registrar of Companies, Gujarat at Ahmedabad in terms of Section 56, Section 60 and Section 60B of the Companies Act.

ADVERTISEMENT REGARDING ISSUE PRICE AND PROSPECTUS

A statutory advertisement will be issued by the Company after the filing of the Red Herring Prospectus with the RoC. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Issue Price. Any material updates between the date of filing of this Red Herring Prospectus and the Prospectus shall be included in the advertisement.

ISSUANCE OF CONFIRMATION OF ALLOCATION NOTE (CAN)

After the determination of Issue Price, the following steps would be taken

- (a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail Individual and Non-Institutional Bidders. However, Bidders should note that the Company shall ensure that the date of Allotment of the Equity Shares to all Bidders, in all categories, shall be done on the same date.
- (b) The BRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their

cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

Notice to QIBs: Allotment Reconciliation and Revised CANS

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the NSE and BSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be required to be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

DESIGNATED DATE AND ALLOTMENT OF EQUITY SHARES

- (a) After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, we would ensure allotment of the Equity Shares to the allottees within two days of the finalization of the basis of allotment.
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be issued only in the dematerialized form to the allottees.** Allottees will have the option to re-materialize the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

We would ensure the allotment of Equity Shares within 15 days of Bid Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment. In case, the Company fails to make allotment or transfer within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% p.a.

GENERAL INSTRUCTIONS

Do's:

- a) Check if you are eligible to apply;
- b) Complete the Bid-cum-Application Form after reading all the instructions carefully;
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be allotted in the dematerialized form only;
- d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a Syndicate Member;
- e) Ensure that you have been given a TRS for all your Bid options;
- f) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS;
- g) Ensure that the bid is within price band;
- h) Investors must ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the Depository Account is held. In case, the Bid-cum- Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same sequence as they appear in the Bid-cum- Application Form;
- i) Ensure that you mention your Permanent Account Number (PAN) allotted under the IT Act, where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000/-. The copy of the PAN Card or the PAN allotment letter should be submitted with the application form;
- j) If you have mentioned "applied for" or "not applicable" in the Bid-cum-Application Form in the section dealing with PAN number ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof; and
- k) Ensure that demographic details (as defined hereinbelow) are updated, true and correct in all respects.

Don'ts:

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;
- c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- d) Do not pay the Bid amount in cash;
- e) Do not send Bid-cum-Application Forms by post; instead submit the same to Syndicate Member only;
- f) Do not Bid at Cut-Off price (for QIBs and non-institutional bidders);
- g) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- h) Do not submit Bid accompanied with Stock invest;
- i) Do not submit GIR number instead of PAN as Bid is liable to be rejected on this ground; and
- j) Do not submit the Bid without the QIB Margin Amount incase of a Bid by a QIB.

INSTRUCTIONS FOR COMPLETING THE BID-CUM-APPLICATION FORM

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM or Syndicate Members.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for resident Indians and blue for Non-residents including NRIs, FIIs, Foreign Venture Capital Fund/Multilateral and Bilateral Development Financial Institutions applying on repatriation basis and green for Employees of our Company.)
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- (c) The Bids from the Retail Individual Bidders must be for a minimum of 60 Equity Shares and in multiples of 60 thereafter subject to a maximum Bid amount of Rs. 100,000/-.
- (d) For Non-institutional and QIB Bidders, Bids must be for a minimum Bid Amount of Rs. 100,001/- and in multiples of 60 Equity Shares thereafter. All individual Bidders whose maximum Bid amount exceeds Rs. 100,000/- would be considered under this category. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- (e) In single name or in joint names (not more than three).
- (f) Thumb impressions and signatures other than in the languages specified in the eighth schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

For further details see section titled “Issue Procedure - Maximum and Minimum Bid Size” on page 127 of this Red Herring Prospectus.

BIDDER'S DEPOSITORY ACCOUNT DETAILS AND BANK ACCOUNT DETAILS

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant's Identification Number, Beneficiary Account number provided by them in the Bid-Cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition (“MICR”) code as appearing on a cheque leaf.

Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Registrar, the Escrow Collection Bank (s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order / CANs / allocation advice / refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid-cum-Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

BIDS UNDER POWER OF ATTORNEY

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a power of attorney by FIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be

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lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 2,500 lac and pension funds with minimum corpus of Rs. 2,500 lac, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Mutual Fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid-cum-Application form, subject to such terms that we may deem fit.

BIDS BY NRIs

NRI bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from the Company's Registered and Corporate Office at Village Indrad, Kadi-Kalol Road, Dist. Mehsana, Gujarat Pin – 382727 or the Registrars to the Issue or members of the syndicate.
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

BIDS BY ELIGIBLE NRIs AND FIIs ON A REPATRIATION BASIS

Bids and revision to Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. By FIIs for a minimum of such number of Equity Shares and in multiples of 60 thereafter that the Bid Amount exceeds Rs. 1,00,000. For further details see section titled "Issue Structure - Maximum and Minimum Bid Size" on page 127 of this Red Herring Prospectus.
4. Bids by NRIs for a Bid Amount of up to or less than Rs. 1,00,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 1,00,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity Shares and in multiples of 60 Equity Shares thereafter so that the Bid Amount exceeds Rs. 1,00,000; for further details see "- Maximum and Minimum Bid Size".
5. In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCB's.
6. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid-cum-Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Eligible NRIs and FIIs. All Eligible NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

PAYMENT INSTRUCTIONS

We, the BRLM and the Syndicate Members shall open an Escrow Account with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

PAYMENT INTO ESCROW ACCOUNT:

- (a) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favor of the Escrow Account and submit the same to the members of the Syndicate.
- (b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the equity shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account no later than the pay-in date specified in CAN.
- (c) The payment instruments for payment into the Escrow Account should be drawn in favor of:
 - (i) In case of Resident QIB Bidders: **“Escrow Account- ASCL Issue – QIB - R”**
 - (ii) In case of Non Resident QIB Bidders: **“Escrow Account- ASCL Issue– QIB - NR “**
 - (iii) In case of Resident Retail and Non- Institutional Bidders: **“Escrow Account – ASCL Issue – R**
 - (iv) In case of Non Resident Retail and Non- Institutional Bidders: **“Escrow Account – ASCL Issue - NR**
- (d) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
- (e) In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- (f) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account.
- (g) The monies deposited in the Escrow Account will be held for the benefit of the Bidders until Designated Date.
- (h) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
- (i) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stock invest/money orders/ postal orders will not be accepted.

PAYMENT BY STOCK INVEST

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn.

SUBMISSION OF BID-CUM-APPLICATION FORM

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favor of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

We reserve the right to reject, in our absolute discretion to accept or reject, all or any multiple Bids in any or all categories.

PERMANENT ACCOUNT NUMBER (PAN)

Where Bid(s) is/are for Rs. 50,000/- or more, the Bidder or in the case of an Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the sole/first Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid-cum-Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/first Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving license (d) Identity card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

UNIQUE IDENTIFICATION NUMBER - MAPIN

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/quote UIN under the MAPIN Regulations/ Circulars vide its circular MAPIN/Cir- 13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UIN's in a phased manner. The press release states that the cut-off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations. Therefore, MAPIN is not required to be quoted with the Bids.

OUR RIGHT TO REJECT BIDS

In case of QIB Bidders, the Company, in consultation with the BRLMs may reject a bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of submission of the Bid and the reasons therefore shall be disclosed to the QIB Bidders. In case of QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders, we have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUND FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- 1) Amount paid doesn't tally with the amount payable for the highest number of Equity Shares bid for;
- 2) Age of First Bidder not given;
- 3) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons;
- 4) PAN photocopy /PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
- 5) UIN Number not given for Body Corporates;
- 6) Bids for lower number of Equity Shares than specified for that category of investors;
- 7) Bids at a price less than lower end of the Price Band;
- 8) Bids at a price more than the higher end of the Price Band;
- 9) Bids at cut-off price by Non-Institutional and QIB Bidders;
- 10) Bids for number of Equity Shares which are not in multiples of 60;
- 11) Category not ticked;
- 12) Multiple bids as defined in this Red Herring Prospectus;
- 13) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- 14) Bids accompanied by Stock invest/ money order/postal order/cash;
- 15) Signature of sole and / or joint bidders missing;
- 16) Bid-cum-Application Form does not have the stamp of the BRLM or Syndicate Members;
- 17) Bid-cum-Application Form does not have Bidder's depository account details;
- 18) In case no corresponding record is available with the Depository that matches three parameters: name of Bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number;
- 19) Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid-cum-Application Form;
- 20) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same at page 127 of this Red Herring Prospectus;
- 21) Bids by OCBs;
- 22) Bid by U.S. residents or U.S. persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the U.S. Securities Act of 1933;
- 23) In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- 24) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations; and
- 25) If GIR number is mentioned instead of PAN Number

EQUITY SHARES IN DEMATERIALIZED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

- a) a tripartite agreement dated April 27, 2007 with NSDL, us and Registrar to the Issue;
- b) a tripartite agreement dated April 26, 2007 with CDSL, us and Registrar to the Issue

All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c) Equity shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- d) ***NAMES IN THE BID-CUM-APPLICATION FORM OR REVISION FORM SHOULD BE IDENTICAL TO THOSE APPEARING IN THE ACCOUNT DETAILS IN THE DEPOSITORY. IN CASE OF JOINT HOLDERS, THE NAMES SHOULD NECESSARILY BE IN THE SAME SEQUENCE AS THEY APPEAR IN THE ACCOUNT DETAILS IN THE DEPOSITORY.***
- e) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.
- f) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- g) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
- h) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i) The trading of the Equity Shares of the Company would be in dematerialized form only for all investors.

COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders, etc.

Disposal of Applications and Applications Money and Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders

The Company agrees that as far as possible allotment of securities offered to the public shall be made within 15 days of the closure of the public issue. The Company further agrees that it shall pay interest at rate of 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the date of closure of the Issue. However, applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement shall not be entitled for the said interest.

Refund orders shall be payable at par at all centers where Bidding terminals were set-up to receive Bids from Bidders.

BASIS OF ALLOTMENT

A. For Retail Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Individual Bidders will be made at the Issue Price.

- The Issue less allocation to Non-Institutional and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allocation shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 60 Equity Shares. For the method of proportionate basis of allotment, refer below.

B. For Non Institutional Bidders

- Bids received from Non Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue less allocation to QIBs and Retail Portion shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 60 Equity Shares. For the method of proportionate basis of allotment refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allocation to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
 - (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows;
 - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for 5% of the QIB Portion.
 - (ii) In the event that the aggregate demand for Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid Bids received above the Issue Price.
 - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
 - (b) In the second instance allocation to all QIBs shall be determined as follows:
 - (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
 - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
 - (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
 - (c) The aggregate allocation to QIB Bidders shall be upto [·] Equity Shares.

Except for any shares allocated to QIB Bidders due to undersubscription in the Retail Portion and/ or Non-Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis up to a maximum of [·] Equity Shares and in multiples of 60 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

Under-subscription, if any, in any category would be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLM.

PROCEDURE AND TIME SCHEDULE FOR ALLOTMENT OF EQUITY SHARES AND DEMAT CREDIT OF EQUITY

The Issue will be conducted through a “100% book building process” pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on May 9, 2007 and expire on May 15, 2007. Following the expiration of the Bidding Period, our Company, in consultation with the BRLMs, will determine the issue price, and, in consultation with the BRLMs, the basis of allocation and entitlement to allotment based on the bids received and subject to the confirmation by the NSE and BSE. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with SEBI on [·] and the Registrar of Companies on [·] and will be made available to investors. SEBI Guidelines require our Company to complete the allotment to successful bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors’ demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence. This typically takes three trading days from the date of crediting the investor’s demat account, subject to final approval by the Stock Exchanges.

METHOD OF PROPORTIONATE BASIS OF ALLOTMENT

In the event the Issue is over-subscribed, the basis of allotment shall be finalised by the Company in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that basis of allotment is finalised in a fair and proper manner. Allotment to Bidders shall be as per the basis of allocation as set out in this Prospectus under “Issue Structure”.

- a) Bidders will be categorized according to the number of Equity Shares applied for.
- b) The total number of Equity Shares to be allotted to each category, as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of bidders in the category multiplied by number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio in that category subject to minimum allotment of 60 Equity Shares. The minimum allotment lot shall be the same as the minimum application lot irrespective of any revisions to the Price Band.
- d) In case the proportionate allotment to any Bidders is in fractions, then the same would be rounded off to next integer.
- e) In all bids where the proportionate allotment is less than [·] per Bidder, the allotment shall be made as follows:
 - Each successful Bidder shall be allotted a minimum of 60 Equity Shares; and
 - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- f) If the proportionate allotment to a Bidder is a number that is more than [·] but is not a multiple of 1 (which is the marketable lot), the number in excess of the multiple of 1 would be rounded off to the higher multiple of 1 if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of 1. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- g) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising of bidders applying for minimum number of Equity Shares.

LETTERS OF ALLOTMENT OR REFUND ORDERS

We shall give credit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. Applicants having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other applicants, we shall despatch refund orders, if any, of value up to Rs. 1,500, by “Under Certificate of Posting”, and will despatch refund orders above Rs. 1,500, if any, by registered post only at the sole or First Bidder’s sole risk within 15 days of the Bid/Issue Closing Date and adequate funds for the purpose shall be made available to the Registrar by us. Applicants to whom refunds are made through Electronic transfer

of funds will be send a letter through “Under Certificate of Posting” within 15 days of closure of Issue, intimating them about the mode of credit of refund, the bank where refunds shall be credited along with the amount and the expected date of electronic credit of refund.

The Company shall ensure despatch of refund orders / refund advice, if any, by “Under Certificate of Posting” or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole risk of First Bidder's within 15 days of the Bid Closing Date / Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we undertake that:

- a. Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- b. Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date;
- c. We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders / credit intimation are not despatched and in case the where a refund is made through electronic mode, the refund instructions have not been given to the clearing system, and demat credit within the 15 day time prescribed above provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

The Company will provide adequate funds required for the cost of despatch of refund orders/ refund advice/ allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode i.e ECS, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Payment of Refund

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit MICR code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Refund Bank nor the Company nor the Registrar shall have any responsibility and undertake any liability for the same.

Mode of Making Refunds

The payment of refund, if any, would be done through various modes in the following order of preference

- (a) **ECS** - Payment of refund would be done through ECS for applicants having an account at one of the 15 centers, where clearing houses for ECS are managed by Reserve Bank of India namely Ahmedabad, Bangalore, Bhuvaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This would be subject to availability of complete Bank Account Details including MICR code from the depository. The payment of refund through ECS is mandatory for applicants having a bank account at any of the 15 centres named herein above, except where applicant is otherwise disclosed as eligible to get refunds through Direct Credit or RTGS.
- (b) **Direct Credit** – Investors having their Bank Account with the Escrow Bankers, i.e. UTI Bank Limited, HDFC Bank Limited and State Bank of India Limited shall be eligible to receive funds, if any, through Direct Credit. The refund amount, if any, would be credited directly to their Bank Account with the Escrow Banker.
- (c) **RTGS** – Applicants having a bank account at any of the 15 centres detailed above, and whose bid amount exceeds Rs. 1 million, shall be eligible to exercise the option to receive refunds, if any, through RTGS. All applicants eligible to exercise this option shall mandatorily provide the IFSC code in the Bid cum Application form. In the event of failure to provide the IFSC code in the Bid cum Application form, the refund shall be made through the ECS or Direct Credit, if eligibility is disclosed.

Please note that only applicants having a bank account at any of the 15 centres where clearing houses for ECS are managed by RBI are eligible to receive refunds through the modes detailed in (a), (b) and (c) hereinabove. For all the other applicants, including applicants who have not updated their bank particulars alongwith the nine digit MICR Code, the refund orders would be despatched “Under Certificate of Posting” for refund orders of value up to Rs. 1,500 and through Speed Post / Registered Post for refund orders of Rs. 1,500 and above.

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For all the other applicants excepts for whom payment of refund is possible through (a), (b) and (c) the refund orders would be despatched "Under Certificate of Posting" for refund orders less than Rs. 1500 and through Speed Post/Registered Post for refund orders exceeding Rs. 1500.

INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS/REFUND ORDERS

We agree that allotment of securities offered to the public shall be made not later than 15 days from the Bid/Issue Closing Date. We further agree that we shall pay interest at 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 15 days from the Bid/Issue Closing Date or if in a case where refund or position thereof is made in an electronic manner, the refund instructions have not been given to the clearing system in a disclosed manner within 15 days from the Bid / Issue Closing Date, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

ISSUE PROGRAM

BID/ISSUE OPENS ON:	MAY 09, 2007
BID/ISSUE CLOSES ON:	MAY 15, 2007

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted only between 10 a.m. and 1 p.m. (Indian Standard Time) or uploaded till such time as may be permitted by the NSE and BSE on the Bid/Issue Closing Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and also by indicating the change on the web site of the BRLMs and at the terminals of the Syndicate.

UNDERTAKING BY THE COMPANY

The Company undertake as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed under the heading "Disposal of Application and Application Money" on page 144 of this Red Herring Prospectus, shall be made available to the Registrar to the issue by the Issuer.
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the issue giving the details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of refund.
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

We will provide adequate funds required for dispatch of refund orders / electronic transfer of funds for refunds or allotment advice to the Registrar to the Issue.

UTILIZATION OF ISSUE PROCEEDS

The Board of Directors of the Company certifies that:

- (a) all monies received out of the Issue shall be credited/ transferred to a separate Bank Account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- (b) details of all monies utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such unutilized monies have been invested; and
- (c) Details of all unutilized monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

- (d) The details of all unutilized monies out of the funds received under the reservations shall be disclosed under a separate head in the balance sheet of the Company indicating then form in which such unutilized monies have been invested.**

The Company shall not have recourse to the Issue Proceeds until the approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received. Pending utilization for the purposes described in section titled "Objects of the Issue" on page 19 of this Red Herring Prospectus, the funds collected from this Issue would be temporarily invested in fixed deposits either with nationalised or scheduled commercial banks, as the case may be. Such investments would be in accordance with the investment policies approved by the Board from time to time.

Interest on Refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the GoI, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Rectification of Register of Members

The Company, under Section 111A of the Act will have the right to rectify the register of members to comply with the Act.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in shares and convertible debentures of an Indian company is regulated through the foreign direct investment policy of the GoI ("FDI Policy") and by the Reserve Bank of India ("RBI") as per the provisions of the Foreign Exchange Management Act, 1999 ("FEMA") and rules, regulations and guidelines there under. While the FDI Policy lays down the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA, along with rules, regulations and guidelines there under, regulates the precise manner in which such investment may be made. Under the FDI Policy, unless specifically restricted, foreign direct investment is freely permitted in all sectors of Indian economy and without any prior approvals, but person's resident outside India are required to follow prescribed procedures for making such investment. In the event an approval of the GoI is required, the same may be obtained through the Foreign Investment Promotion Board ("FIPB").

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

In the Manufacturing sector, Foreign Direct Investment upto 100% is allowed on the automatic route with no entry-level condition.

The above information is given for the benefit of the bidders and neither the Company nor BRLM are liable for any modifications that may happen after the date of this Red Herring Prospectus.

SECTION IX : MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restriction on transfer and transmission of equity shares or debentures and or on their consolidation/splitting as detailed below. Please note that each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms therein have the meaning given to them in the Articles of Association.

Share capital and variation of Rights

- 5(a) The Authorised Share Capital of the Company is Rs. 20,00,00,000/- (Rupees Twenty Crores Only) divided into 2,00,00,000 (Two Crores) Equity Shares of Rs. 10/- (Rupees Ten Only) each, with power to increase or reduce the share capital of the Company and to divide the shares in the Capital for the time being into several classes and to attach thereto respectively such preferential, cumulative, convertible preference, guaranteed, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association.
- (b) Subject to the rights of the holders of any other shares entitled by the terms of issue to preferential repayment over the equity shares in the event of winding up of the Company, the holders of the equity shares shall be entitled to be repaid the amounts of capital paid up or credited as paid up on such equity shares and all surplus assets thereafter shall belong to the holders of the equity shares in proportion to the amount paid up or credited as paid-up on such equity shares respectively at the commencement of the winding up.

Increase, Reduction and Alteration of Capital

6. The Company may from time to time in general meeting increase its share capital by the issue of new shares of such amounts as it thinks expedient.

On what Conditions the New Shares may be issued

- a) Subject to the provisions of Section 80, 81 and 85 to 90 of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto by the general meeting creating the same as shall be directed and if no direction be given then as the Directors shall determine and in particular such shares may be issued subject to the provisions of the said Sections with a preferential or qualified right to dividends and in distribution of assets of the Company and subject to the provisions of said Sections with special or without any right of voting and subject to provisions of Section 80 of the Act any preference shares may be issued on the terms that they are or at the option of the Company are liable to be redeemed.

Further Issue of Capital

- b) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, whether out of unissued share capital or out of the increased share capital then:
- (i) such further shares shall be offered to the person who at the date of offer, are holders of the equity shares of the Company, in proportion as nearly as circumstances admit, to the capital paid up on those shares at that date.
 - (ii) the offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than one month from the date of the offer within which the offer, if not accepted, will be deemed to have been declined.
 - (iii) the offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in Sub-clause (ii) hereof shall contain a statement of this right PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.
 - (iv) After the expiry of the time specified in notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose off them in such manner and to such persons as they think most beneficial to the Company.
- c) Notwithstanding anything contained in sub-clause (b) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the person referred to in clause (i) of sub-clause (b) hereof) in any manner whatsoever.

- (i) If a special resolution to that effect is passed by the Company in General Meeting, or
 - (ii) where no such special resolution is passed if the votes cast (whether ON a show of hands or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.
- d) Nothing in sub-clause (iii) of (b) hereof shall be deemed;
- (i) To extend the time within which the offer should be accepted; or
 - (ii) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- e) Notwithstanding anything contained in sub-clause (a) above, but subject, however, to Section 81(3) of the Act, the Company may increase its subscribed capital on exercise of an option attached to the debentures issued or loans raised by the Company to convert such debentures or loans into shares, or to subscribe for shares in the Company.

Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the Company.

- (i) To convert such debentures or loans into shares in the Company; or
- (ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- (i) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the Rules, if any, made by that Government in this behalf; and
 - (ii) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.
- (iii) issue of CCP and as permissible in law.

Reduction of Capital

7. the Company may from time to time by special resolution, subject to confirmation by the Court and subject to the provisions of Sections 78, 80 and 100 to 104 of the Act, reduce its share capital and any Capital Redemption Reserve Account or Premium Account in any manner for the time being authorised by law in particular without prejudice to the generality of the foregoing power may by:
- (a) extinguishing or reducing the liability on any of its shares in respect of share capital not paid up;
 - (b) either with or without extinguishing or reducing liability on any of its shares, cancel paid up share capital which is lost or is unrepresented by available assets; or
 - (c) either with or without extinguishing or reducing liability on any of its shares, pay off any paid up share capital which is in excess of the wants of the Company;
- and may, if and so far as is necessary, alter its Memorandum, by reducing the amount of its share capital and of its shares accordingly.

Division, Sub-division, Consolidation, Conversion and Cancellation of shares

8. Subject to the provisions of Section 94 of the Act, the Company in general meeting may by an ordinary resolution alter the conditions of its Memorandum as follows, that is to say, it may:
- (a) consolidate and divide all or any of its Share Capital into shares of larger amount than its existing shares;
 - (b) sub-divide its shares or any of them into shares of smaller amount than originally fixed by the Memorandum subject nevertheless to the provisions of the Act in that behalf and so however that in the sub-division the proportion between the amount paid and the amount, if any unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and so that as between the holders of the shares resulting from such

sub-division one or more of such shares may, subject to the provisions of the Act, be given by preference or advantage over the others or any other such shares;

- (c) convert all or any of its fully paid up shares into stock, and re-convert that stock into fully paid up shares of any denomination;
- (d) cancel, shares which at the date of such general meeting have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

Notice to Registrar or Consolidation of Share Capital, conversion of shares into stocks etc.

12(a) If the Company has :

- (i) Consolidated and divided its share capital into shares of larger amount than its existing shares;
- (ii) Converted any shares into stocks;
- (iii) Re-converted any stock into shares;
- (iv) Sub-divided its share or any of them;
- (v) Redeemed any redeemable preference shares; or
- (vi) Cancelled any shares otherwise than in connection with a reduction of Share Capital under Sections 100 to 104 of the Act.

The Company shall within one month after doing so, give notice thereof to the Registrar specifying as the case may be, the shares consolidate, divided, converted, sub-divided, redeemed or cancelled or the stocks re-converted.

- (b) the Company shall thereupon request the Registrar to record the notice and make any alterations which may be necessary in the Company's Memorandum or Articles or both.

Modification of Rights

13. if at any time the share capital, by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Act and whether or not the Company is being wound up, be varied, modified, commuted, affected or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a Special Resolution passed at separate general meeting of the holders of the shares of that class. This Article shall not derogate from any power which the Company would have if this Article were omitted. The provisions of these Articles relating to general meeting shall mutatis apply to every such separate meeting but so that if at any adjourned meeting such holders a quorum as defined in Articles 111 is not present, those persons who are present shall be the quorum.

SHARES AND CERTIFICATES

Issue of Further shares not to Affect Right of Existing Shareholders.

14. the rights or privileges conferred upon the holders of the shares of any class issued with preference or other rights, shall not unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied or modified or affected by the creation or issue of further shares ranking *pari passu* therewith.

Provisions of Sections 85 to 88 of the Act to apply.

15. the provisions of Sections 85 to 88 of the Act in so far as the same may, be applicable shall be observed by the Company.

Register of Members and Debentureholders

- 16 (a) the Company shall cause to be kept a Register of Members and an index of (a) Members in accordance with Sections 150 and 151 of the Act and Register and index of Debentureholders in accordance with Section 152 of the Act. The Company may also keep a foreign Register of Members and Debentureholders in accordance with Section 157 of the Act.
- (b) the Company shall also comply with the provisions of Sections 159 and 161 of the Act as to filing of Annual Returns.
 - (c) The Company shall duly comply with the provisions of Section 163 of the Act in regard to keeping of the Registers, indexes, copies of Annual Returns and giving inspections thereof and furnishing copies thereof.

Restriction of Allotment

18 The Board shall observe the restriction as to allotment of shares to the public contained in Sections 69 and 70 of the Act and shall cause to be made the return as to allotment provided for in Section 75 of the Act.

Every Share Transferable etc.

- 21(i) The shares or other interest of any member in the Company shall be movable property, transferable in the manner provided by these Articles.
- (ii) Each share in the Company shall be distinguished by its appropriate number.
- (iii) A Certificate under the Common Seal of the Company, specifying any shares held by any member shall be, prima facie, evidence of the title of the member of such shares.

Application of Premium Received on issue of Shares

- 22 (a) Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of value of the premium on those shares shall be transferred to an account to be called "the share premium account", and the provisions of the Act relating to the reduction of the Share Capital of the Company shall except as provided in this Article, apply as if the share premium account were paid up share capital of the Company.
- (b) The share premium account may, notwithstanding, anything in clause (a) above, be applied by the Company:
 - (i) In paying up unissued shares of the company to be issued to members of the Company as fully paid bonus share.
 - (ii) In writing off the preliminary expenses of the Company.
 - (iii) In writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; or
 - (iv) In providing for the premium payable on the redemption of any redeemable preference shares or any debentures of the Company.

Acceptance of Shares

- 24. An application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any shares therein shall be an acceptance of shares within the meaning of these Articles and every person who thus or otherwise accepts any shares and whose name is on the Register of Members shall for the purpose of these Articles be a member. The Directors shall comply with the provisions of Sections 69, 70, 71, 72 and 73 of the Act in so far as they are applicable.
- 30 A.
 - a) Notwithstanding anything contained in these Articles, the shareholders/debenture holders of the Company shall be entitled to dematerialise its existing shares, debentures and other securities, rematerialise its securities held in the Depository and the Company shall offer fresh shares, debentures and other securities for subscription in a dematerialised form pursuant to the Depositories Act and the rules framed there under, if any.
 - b) Every person subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with a Depository.
 - c) The share in the capital shall be numbered progressively according to their several denominations. Provided that the provisions relating to progressive numbering shall not apply to the shares of the Company which are dematerialized or may be dematerialised in future or issued in future in dematerialised form. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.
 - d) Every person subscribing to shares, debentures or other securities offered by the Company shall have the option to receive such shares, debentures or securities in physical form or to hold the same with a Depository in dematerialized form. Such a person who is the Beneficial owner of the securities can at any time opt out of a depository, if permitted and in the manner provided by law and the Company shall, in the manner and within the time prescribed, issue to the Beneficial owner the required Certificates.
 - e) In case of transfer of shares, debentures and other marketable securities, where the Company has not issued any certificate and where such shares, debentures or securities are being held in an electronic and fungible form by a Depository, the provisions of the Depositories Act shall apply.
 - f) If the shares of the Beneficial owner are held with a Depository, the Company shall intimate such Depository, the details of allotment of the security, and on receipt of the information, the Depository shall enter in its records, the names of the allottees as the Beneficial owner of the security.

- g) (i) A Depository shall be deemed to be the registered owner of the securities for the purposes of effecting transfer of ownership of security on behalf of the Beneficial Owner. Save as otherwise provided in (i) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it. Such voting rights shall be vested with the Beneficial owner of the shares of the Company.
- h) Beneficial owner deemed as absolute owner. Save as herein otherwise provided, the Company shall be entitled to treat the persons whose name appears as the Beneficial owner of the shares, debentures and other securities in the records of the Depository as the absolute owner thereof as regard receipt of dividends or bonus on shares, interest/ premium on debentures and other securities and repayment thereof or for service of notices and all or any other matters connected with the Company and accordingly the Company shall not (except as ordered by the Court of competent jurisdiction or as by law required) be bound to recognize any benami trust or equity or equitable, contingent or other claim to or interest in such shares, debentures or other securities as the case may be, on the part of any other person whether or not it shall have express or implied notice thereof but the Board shall be entitled at their sole discretion to register any share in the joint names of any two or more persons or the survivors or the survivors of them.
- i) Notwithstanding anything in these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.
- j) The Company shall cause to keep a Register and Index of Members and Register and Index of Debenture holders in accordance with Section 151 and 152 of the Act respectively, and the Depositories Act, with details of shares and debentures held material and dematerialised forms in any media as may be permitted by law including in any form of electronic media. Notwithstanding anything in these Articles to the contrary, the Register and Index of Beneficial owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be the Register and Index of Members for the purposes of the Act. The Company shall have the power to keep in any state or country outside India a branch of Register of Members resident in that state or country.
- k) Notwithstanding anything contained in these Articles to the contrary, the Register and Index of Beneficial owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be the Register and Index of Debenture holders for the purposes of the Act.
- l) Nothing contained in Section 108 of the Act or these Articles shall apply to the transfer of shares, debentures or other securities effected by the transferor or transferee, both of whom are entered as Beneficial owners in the records of the Depository, provided that in respect of the shares, debentures and other securities held by the Depository on behalf of a Beneficial owner, Sections 153, 153A, 153B, 187B, 187C and 372A of the Act, shall not apply.
- m) Issue of Certificates, if required, in the case of dematerialised shares/debentures/other securities and rights of Beneficial owner of such shares/debentures/other securities. Notwithstanding anything contained in these Articles, certificate, if required, for dematerialised share, debenture and any other security shall be issued in the name of the Depository and all the provisions contained in these Articles in respect of the rights of a member/debenture holder of the Company shall mutatis mutandis apply to the Depository as if it were a Member/debenture holder/ security holder excepting that and notwithstanding that the Depository shall have been registered as the holder of a dematerialized share, debenture and any other security, the person who is the Beneficial owner of such shares, debentures and other securities shall be entitled to all the rights (other than those set out in these Articles) available to the registered shares, debentures and other securities, in the Company as set out in the other provisions of these Articles.
- n) If a Beneficial owner seeks to opt out of a Depository in respect of any security, the Beneficial owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its records and shall inform the Company. The Company shall within thirty (30) days of the receipt of intimation from the Depository and on fulfillment of such conditions and payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial owner or the transferee as the case may be.
- o) Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares in physical form subject to the provisions of the Depository Act.
- p) Notwithstanding anything in the Act, or these Articles where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

LIEN

Company's Lien on Shares/Debentures

44. The Company shall have a first and paramount lien upon all the shares and/or debentures (other than fully paid-up shares and/or debentures) registered in the name of each Member and/or debenture holder (whether held singly or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of transfer of shares and/or debentures shall operate as a waiver of Company's lien, if any, on such shares and/or debentures. The Directors may at any time declare any share and/or debenture wholly or in part exempt from the provisions of this Article.

As to Enforcing Lien by Sale

45. For the purpose of enforcing such lien, the Board may sell the shares/debentures subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and/or debentures and may authorise one of their members or appoint any officer or Agent to execute a transfer thereof on behalf of and in the name of such member/debentureholder. No sale shall be made until such period, as may be stipulated by the Board from time to time, and until notice of at least 30 days in writing of the intention to sell shall have been served on such member and/or debentureholder or his legal representatives and default shall have been made by him or them in payment, fulfillment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.

Application of Proceeds of Sale

- 46.(a) The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the persons entitled to the shares and/or debentures at the date of the sale.
- (b) The Company shall be entitled to treat the registered holder of any share or debenture as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or by statute required) be bound to recognize equitable or other claim to, or interest in, such shares or debentures on the part of any other person. The Company's lien shall prevail notwithstanding that it has received notice of any such claims.

FORFEITURE

If Call or Installment not Paid Notice must be given

- 47.(a) If any member or debenture holder fails to pay the whole or any part of any call or installment or any money due in respect of any share or debentures either by way of principal or interest on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Directors may at any time thereafter, during such time as the call or any installment or any part thereof or other moneys remain unpaid or a judgment or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such member or debenture holder or on the person (if any) entitled to the share by transmission requiring him to pay such call or installment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non payment.
- (b) The notice shall name a day not being less than one month days from the date of the notice and a place or places, on and at which such call, or installment or such part or other moneys as aforesaid are to be paid. The notice shall also state that in the event of non payment of call amount with interest at or before the time and at the place appointed, the shares or debentures in respect of which the call was made or installment or such part or other moneys is or are payable will be liable to be forfeited.

In Default of Payment Shares or Debentures to be Forfeited

48. If the requirements of any such notice as aforesaid are not complied with any share/debenture in respect of which such notice has been given, may at any time thereafter before payment of all calls or installments, interest and expenses or other moneys due in respect thereof, be forfeited by a resolution of the Directors to that effect. Neither in receipt by the Company of a portion of any money which shall from time to time be due from any member of the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company, in respect of the payment of any such money, shall preclude the company from thereafter proceeding to enforce a forfeiture of such shares as herein provided. Such forfeiture shall include all dividends declared or interest paid or any other moneys payable in respect of the forfeited shares or debentures and not actually paid before the forfeiture.

Forfeited Share/Debenture to be Property of Company and may be sold

50. Any share or debenture so forfeited shall be deemed to be the property of the Company, and may be sold, re-allotted or otherwise disposed of either to the original holder or to any other person upon such terms and in such manner as the Directors shall think fit.

Power to Annul Forfeiture

51. The Directors may, at any time, before any shares or debentures so forfeited shall have been sold, re-allotted or otherwise disposed of, annul forfeiture thereof upon such conditions as they think fit.

Shareholders or Debentures still liable to pay Money Owing at time of forfeiture and interest.

52. Any member of debenture holder whose shares or debentures have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, all calls, installments, interest, expenses and other money owing upon or in respect of such shares or debentures at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment at such rate as the Directors may determine, and the Directors may enforce the payment of the whole or a portion thereof, if they think fit, out shall not be under any obligation to do so.

Effect of Forfeiture

53. The forfeiture of a share or a debenture shall involve extinction at the time of forfeiture, of all interest in and all claims and demands against the company, in respect of the share or debenture and all other rights incidental to the share or debenture except only such of these rights as by these Articles are expressly saved.

Certificate of Forfeiture

54. A Certificate in writing under the hand of one Director and countersigned by the Secretary or any other Officer authorised by the Directors for the purpose, that the call in respect of a share or debenture was made and notice thereof given and that default in payment of the call was made that the forfeiture of the share or debenture was made by a resolution of Directors to that effect shall be conclusive evidence of the facts stated therein as against all persons entitled to such share or debenture.

TRANSFER AND TRANSMISSION OF SHARES AND DEBENTURES

Register of Shares or Debenture

59. The Company shall keep a book to be called the "Register of Transfers" and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

Instrument of Transfer

60. The instrument of transfer shall be in writing and all the provisions of Section 108 of the Act, shall be duly complied with in respect of all transfer of shares and registration thereof.

Instrument of Transfer to be Executed by Transferor and Transferee

61. Every such instrument of transfer shall be signed both by the transferor and transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register of members in respect thereof.

Directors may refuse to Register Transfer

- 62.(a) Subject to the provisions of Section 111 of the Act and Section 22A of Securities Contract (Regulations) Act 1956 and the rules and regulations made thereunder, the Directors may, at their own absolute and uncontrolled discretion, decline by giving reasons to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the Shares. Transfer of Shares / Debentures in whatever lot shall not be refused.
- (b) Nothing in Sections 108, 109 and 110 of the Act shall prejudice this power to refuse to register the transfer of, or the transmission by operation of law of the rights to, any shares or interest of a member in, or debentures of the Company.

Transfer of Share

- 63.(a) An application of registration of the transfer of shares may be made either by the transferor or the transferee provided that where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee and subject to the provisions of Clause (d) of this Article, the Company shall unless object is made by the transferee, within two weeks from the date of receipt of the notice, enter in the Register of members the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.
- (b) For the purpose of clause (a) above notice to the transferee shall be deemed to have been duly given if sent by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered to him in the ordinary course of post.
- (c) It shall not be lawful for the Company to register a transfer of any shares unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation if any, of the transferee has been delivered to the Company alongwith the certificate relating to the shares and if no such Certificate is in existence, alongwith the letter of allotment of shares. The Directors may also call for such other evidence as may reasonably be required to show the right of the transferor to make the transfer, provided that where it is proved to the satisfaction of the Directors of the Company that an instrument of transfer signed by the transferor and the transferee has been lost, the Company may, if the Directors think fit, on an application in writing made by the transferee and bearing the stamp required by an instrument of transfer register the transfer on such terms as to indemnify as the Directors may think fit.
- (d) Nothing in clause (c) above shall prejudice any power of the Company to register as share holder any person to whom the right to any share has been transmitted by operation of law.
- (e) Nothing in this Article shall prejudice any power of the company to refuse to register the transfer of any share.

Transfer Books and Register of Members when closed

65. The Board shall have power on giving not less than seven days' previous notice by advertisement in some newspaper circulating in the district in which the office of the Company is situated, to close the Transfer books. The Register of members or Register of debenture holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year.

Persons Entitled may Receive Dividend without being Registered as Member

- 70.(a) A person entitled to a share by transmission shall subject to the rights of the Directors to retain such dividends, bonuses or moneys as hereinafter provided be entitled to receive, and may give a discharge for any dividends, bonuses or other moneys payable in respect of the share / debenture.
- (b) This Article shall not prejudice the provisions of Articles of 45 and 56.

Directors may require Evidence of Transmission

72. Every transmission of a share shall be verified in such manner as the Directors may require, and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.

Fee on Transfer / Subdivision Consolidation of Shares and Debentures

- 73.(a) The Company shall not make any charge:
- (i) For registration of transfers and transmission of Shares and Debentures;
 - (ii) For Sub-division and/or consolidation of Shares and/or Debenture Certificates and for sub-division of letter of Allotment and Split, Consolidation, Renewal and Pucca Transfer Receipts into denominations corresponding to the market units of trading.
 - (iii) For Sub-division of renounceable letters of Right;
 - (iv) For issue of new certificate in replacement of those which are old, decrepit or worn out or where the cages on the reverse for recording transfers have been fully utilized.
 - (v) For registration of any Power of Attorney, Probate, Letters of Administration, Succession Certificate, Certificate of death or marriage or similar other documents.

- (b) The Company shall not charge any fees exceeding those which may be agreed upon with the Stock Exchange:
 - (i) For issue of new certificates in replacement of those that are torn, defaced, lost or destroyed.
 - (ii) For sub-division and consolidation of Shares and Debentures Certificates and for sub-division of Letters of Allotment and Split, Consolidation, Renewal and Pucca Receipts into denominations other than those fixed for the market units of trading.

The Company not liable for Disregard of a Notice Prohibiting Registration of Transfer

74. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice referred thereto in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Directors shall so think fit.

Not more than Four Persons as Joint Holders

75. The Company shall be entitled to decline to register more than four persons as the holders of any shares.
- The provisions of these Articles shall mutated mutandis apply to the transfer or transmission by operation of law of debenture of the Company.

Limitation of time for issue of Certificate

82. The Company shall, within three months after the allotment of any of its debentures or debenture-stock, and within one month after the application for the registration of the transfer of any such debentures or debenture stocks have complete and deliver the Certificate of all the debentures and the Certificate of all debenture stocks allotted or transferred unless the conditions of issue of the debentures or debenture-stocks otherwise provide.

The expression 'transfer' for the purpose of this clause means a transfer duly stamped and otherwise valid and does not include any transfer which the Company is for any reason entitled to refuse to register and does not register.

GENERAL MEETINGS

Statutory Meeting

94. The statutory meeting of the Company shall be held at such place and time (within a period of not less than one month nor more than six months from the date on which the Company is entitled to commence business) as the Directors may determine and the Directors shall comply with the provision of the Section 165 of the Act relating thereto.

Annual General Meeting

95. Subject to the provisions contained in Section 166 and 210 of the Act, as far as applicable, the Company shall in each year hold, in addition to any other meetings, a general meeting as its annual general meeting, and shall specify, the meeting as such in the notice calling it, and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next.

Provided that if the Registrar of any special reason, extends the time within which any annual general meeting shall be held, then such annual general meeting may be held within such extended period.

Time and place of Annual General Meeting

96. Every annual general meeting shall be called at any time during business hours, on a day that is not a public holiday, and shall be held either at the registered office of the Company or at some other place within the city, town or village in which the registered office of the Company is situated, and the notice calling the meeting shall specify it as the annual general meeting.

Section 171 to 186 of the Act shall apply to Meeting.

97. Section 171 to 186 of the Act with such adaptation and modifications, if any as may be prescribed, shall apply with respect to meeting of any class of members or debentureholders of the Company in like manner as they would with respect to general meetings of the Company.

Powers of Directors to Call Extraordinary General Meeting

98. The Directors may call an extraordinary general meeting of the Company whenever they think fit.

Calling of Extra Ordinary General Meeting on Requisition.

- 99.(a) The Board of Directors of the Company shall on the requisition of such number or members of the Company as is specified in clause (d) of this article, forthwith proceed duly to call an Extra-Ordinary general meeting of the Company.
- (b) The requisition shall set out the matters for the considerations of which the meeting is to be called, shall be signed by requisitionists, and shall be deposited at the registered office of the Company.
 - (c) The requisition may consist of several documents in like forms, each signed by one or more requisitionists.
 - (d) The number of members entitled to requisition a meeting in regard to any shall be such member of them as hold at the date of the deposit of the requisition not less than one tenth of such of the paid up share capital of the Company as at that date carried the right of voting in regard to that matter.
 - (e) Where two or more distinct matters are specified in the requisition the provisions of clause (d) above, shall apply separately in regard to each such matter; and the requisition shall accordingly be valid only in respect of those matters in regard to which the condition specified in that clause is fulfilled.
 - (f) If the Board does not, within twenty one days from the date of deposit of a valid requisition in regard to any matters, proceed duly to call a meeting for the consideration of those matters then on a day not later than forth five days from the date of deposit of the requisition, the meeting may be called.
 - (i) By the requisitionists themselves;
 - (ii) by such of the requisitionists as represent either a majority in value of the paid up share capital held by all of them or not less than one tenth of such of the paid up share capital of the company as is referred to in clause (d) above whichever is less.
 - (g) A meeting, called under Clause (f) above, by the requisitionists or any of them:
 - (i) Shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by the Board; but
 - (ii) Shall not be held after the expiration of three months from the date of the deposit of the requisition.

EXPLANATION: Nothing in Clause (g) (ii) above, shall be deemed to prevent a meeting only commenced before the expiry of the period three months aforesaid, from adjourning to some day after the expiry of that period.

- (h) Where two or more persons hold any shares or interest in the Company jointly, requisition, or a notice calling a meeting, signed by one or some of them shall, for the purpose of this Article, have the same force and effect as if it had been signed by all of them.
 - (i) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to call a meeting shall be repaid to the requisitionists by the Company; and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.

Length of Notice for Calling Meeting

- 100 (a) A general meeting of the Company may be called by giving not less than twenty one days' notice in writing.
- (b) A General Meeting of the Company may be called after giving shorter notice than that specified in clause (a) above, if consent is accorded thereto;
 - (i) In the case of an annual general meeting by all the members entitled to vote thereto; and
 - (ii) In the case of any other meeting, by members, of the Company holding not less than 95 (Ninety Five) per cent of such part of the paid up capital of the Company as gives a right to vote at the meetings.

Provided that where any members of the Company are entitled to vote only on some resolution or resolution to be moved at the meeting and not on the others, those members shall be taken into account for the purposes of this clause in respect of the former resolution or resolutions and not in respect of the latter.

Explanatory Statement to be Annexed to Notice

102(A) For the purpose of this Article:

- (i) In the case of annual general meeting, all business to be transacted at the meeting shall be deemed special with the exception of business relating to -
 - (a) the consideration of the accounts, balance sheet and the reports of the Board of Directors and auditors
 - (b) the declaration of a dividend
 - (c) the appointment of directors in the place of those retiring, and
 - (d) the appointment of and the fixing of the remuneration of the auditors, and
 - (ii) in the case of any other meetings, all business shall be deemed special.
- (B) Where any items of business to be transacted at the meeting are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement, setting out all material facts concerning each item of business including in a particular the nature of the concern of interest, if any, therein, if any, therein of every Director, and the manager, if any.

Provided that where any item of special business as aforesaid to be transacted at a meeting of the Company relates to, or affects, any other Company, the extent of shareholding interest in that other Company of any such person shall be set out in circumstances specified in the provision to sub-section (2) of section 173 of the Act.

- (C) Where any item of business consists of the according of approval to any document by the meeting, the time and place where the documents can be inspected shall be specified in the statement aforesaid.

Quorum for Meeting

103(a) Five members personally present shall be quorum for a General Meeting of the Company.

- (b) (i) If within half an hour from the time appointed for holding a meeting of the Company, a quorum is not present, the meeting, if called upon by requisition of members, shall stand dissolved.
- (ii) In any other case, the meeting shall stand adjourned to the same in the next week, at the same time and place or to such other day and at such other time and place, as the Board may determine.
- (c) No business shall be transacted at any general meeting unless the requisite quorum be present at the commencement of the business.

Adjourned Meeting to Transact Business

- 104.(a) If at the adjourned meeting also, a quorum is not present within half an hour from the time appointed for holding the meeting, the members present shall be the quorum.
- (b) Where a resolution is passed at an adjourned meeting of the Company, the resolution shall, for all purposes be treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.

Chairman of General Meeting

- 105.(a) No business shall be discussed or transacted at any general meeting except the election of a Chairman whilst the Chair is vacant.
- (b) (i) The Chairman of the Board of Directors shall be entitled to take the Chair at every general meeting, if there be no Chairman or if at any meeting he shall not be present within 15 (fifteen) minutes after the time appointed for holding such meeting or is unwilling to act, subject Article 182, the Directors present may choose one of themselves to be the Chairman and in default of their doing so, the members present shall choose one of themselves to be the Chairman.
 - (ii) If at any meeting a quorum of members shall be present, and the Chair shall not be taken by the Chairman or Vice-Chairman of the Board or by a Director at the expiration of 15 minutes from the time appointed for holding the meeting or if before the expiration of that time all the Directors shall decline to take the Chair, the members present shall choose one of their members to be the Chairman of the meeting.

VOTES OF MEMBERS

Restrictions on Exercise of Rights of Members who have not paid Calls etc.

111. (a) No members shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and has exercised any right of lien.
- (b) Where the shares of the Company are held in trust, the voting power in respect of such shares shall be regulated by the provisions of Section 187B of the Act.

Restriction of Exercise of voting right in other cases to be void

112. A member is not prohibited from exercising his voting right on the ground that he has not held his share or other interest in the Company for any specified period preceding the date on which the vote is taken, or on any other ground not being a ground set out in Article 111.

Equal Rights of Share Holders.

113. Any shareholder whose name is entered in the Register of members of the Company shall enjoy the same rights and be subject to the same liabilities as all other shareholders of the same class.

Voting to be by show of Hands in First Instance.

114. At any general meeting a resolution put to vote at the meeting shall unless a poll is demanded under Section 179 of the Act be decided on a show of hands.
- (a) Subject to the provisions of the Act, upon show of hands every members entitled to vote and present in person shall have one vote, and upon a poll every member entitled to vote and present in person or by proxy shall have one vote, for every share held by him.
- (b) No member not personally present shall be entitled to vote on a how of hands unless such member is a body corporate present by proxy or by a representative duly authorised under Section 187 or 187A of the Act, in which case such proxy or representative may vote on a show of hands as if he were a member of the Company.

Chairman of any Meeting to be the Judge of any Vote.

120. The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

Chairman's Declaration of result of Voting by show of Hands to be conclusive.

121. A declaration by the Chairman in pursuance of Section 177 of the Act that on a show of hands, a resolution has or has not been carried, either unanimously or by a particular majority, and an entry to that effect in the books containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of or against such resolution.

Demand for Poll

122. (a) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting on his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the Company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution, or on which an aggregate sum of not less than Fifty Thousand Rupees has been paid up.
- (b) The demand for a poll may be withdrawn at any time by the person or persons who make the demand.

Demand for Poll not to prevent Transaction of other Business.

123. The Demand for a poll except on the question of the election of the Chairman and of an adjournment shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

Time of taking Poll

124. (a) A poll demanded on a question of adjournment shall be taken forthwith.
- (b) A poll demanded on any other question (not being a question relating to the election of a Chairman which is provided for in Section 175 of the Act) shall be taken at such time not being later than 48 (forty eight) hours from the time when the demand was made, as the Chairman may direct.

Casting Vote

128. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the Show of hands takes place or at which the poll is demanded shall be entitled to a casting vote or votes to which he may be entitled as member.

Representation of Body Corporate

129. A body corporate (whether a Company within the meaning of the Act or not) if it is a member or creditor (including a holder of debentures) of the Company may in accordance with the provisions of Section 187 of the Act authorise such person by a resolution of its Board of Directors as it thinks fit, to act as its representative at any meeting of the Company or of any class of members of the Company or at any meeting of Creditors of the Company.

Special Notice

132. Whereby any provision contained in the Act or in these articles special notice is required for any resolution, notice of the intention to move the resolution shall be given to the Company not less than fourteen days before the meeting at which it is to be moved exclusive of the day on which the notice is served or deemed to be served and the day of the meeting. The Company shall immediately after the notice of the intention to move any such resolution has been received by it, give its members notice of the resolution in the same manner as it gives notice of the meeting, or if that is not practicable, shall give them notice thereof either by advertisement in a newspaper having an appropriate circulation or in any other mode allowed by these presents nor less than seven days before the meeting.

Resolution Requiring Special Notice

133. The Company shall comply with provisions of Section 190 of the Act relating to resolution requiring special notice.

134A. Notwithstanding anything contained in the Act and subject to the provisions of Section 192A of the Act and the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, a Company may, and in the case of resolutions relating to such business as the Central Government may, by notification, declare to be conducted only by postal ballot, shall, get any resolution passed by means of a postal ballot, instead of transacting the business in general meeting of the Company.

Minutes of Proceedings of General Meeting and of Board and Other Meetings.

136. (a) The Company shall cause minutes of all proceedings of general meetings, and of all proceedings of every meeting of its board of Directors or of every Committee of the Board to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered.
- (b) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting such books shall be dated and signed:
- (i) in the case of minutes of proceedings of the Board or of a Committee thereof by the Chairman of the said meeting or the Chairman of the next succeeding meeting.
 - (ii) in the case of minutes of proceedings of the general meetings by Chairman of the said meeting within the aforesaid period, of thirty days or in the even of the death or inability of that Chairman within a period, by a Director duly authorised by the Board for the purpose.
- (c) in no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (d) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- (e) All appointments of Officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.
- (f) In the case of a meeting of the Board of Directors or of a Committee of the Board, the minutes shall also contain:
- (i) the names of the Directors present at the meetings, and
 - (ii) in the case of each resolution passed at the meeting, the names of the Directors, if any, dissenting from or not concurring in the resolution.
- (g) Nothing contained in Clause (a) to (d) hereof shall be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting.
- (i) is, or could reasonably be regarded, as defamatory or any person.
 - (ii) is irrelevant or immaterial to the proceedings; or

(iii) is detrimental to the interests of the Company.

The Chairman shall exercise an absolute discretion in regard to the inclusion or non-inclusions of any matter in the minutes on the grounds specified in this clause.

(h) The minutes of meetings kept in accordance with the provisions of Section 193 of the Act shall be evidence of the proceedings recorded therein.

Inspection of Minute Books of General Meetings.

138.(a) The books containing the minutes of the proceedings of any general meeting of the Company shall:

- (i) be kept at the registered office of the Company, and
- (ii) be open, during the business hours to the inspection of any member without charge, subject to such reasonable restrictions as the Company may, in general meeting impose so however that not less than two hours in each day are allowed for inspection.

(b) Any member shall be entitled to be furnished within seven days after he has made a request in that behalf to the Company, with a copy of any minutes referred to in Clause (a) above, on payment of thirty-seven paise for every one hundred words or fractional part thereof required to be copies.

MANAGERIAL PERSONNEL

Managerial Personnel

140. The Company shall duly observe the provisions of Section 197A of the Act regarding prohibition of simultaneous appointment of different categories of managerial personnel therein referred to.

Number of Directors

141. Until otherwise determined by the Company in general meeting, the number of Directors shall not be less than three and more than eleven. The appointment of the Directors exceeding 111 will be subject other provisions of Section 259 of the Act.

Nominee Director

144. Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to the Industrial Development Bank of India (IDBI), the Industrial Credit and Investment Corporation of India Limited (ICICI), Industrial Finance Corporation of India (IFCI) and Life Insurance Corporation of India (LIC) or to any other Finance Corporation or Credit Corporation or to any other Finance Company or Body out of any loans granted by them to the Company or so long as IDBI, IFCI, ICICI, LIC and Unit Trust of India (UTI) or any other Financing Corporation or Credit Corporation or any other financing Company or Body (each of which IDBI, IFCI, ICICI, LIC and UTI or any or any other Finance Corporation or any other Financing Company or Body is hereinafter in this Article referred to as "the Corporation") continue to hold debentures in the Company as a result of underwriting or by direct subscription or private placement, or so long as the Corporation holds shares in the Company as a result, underwriting or direct subscription or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time any person or persons as a Director or Directors whole time or non-whole time (which Director or Directors is / are hereinafter referred to as "Nominee Director/s") on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/s.

The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as the Corporation holds debentures in the Company as a result of a direct subscription or private placement or so long as the Corporation holds shares in the Company as a result of underwriting or direct subscription or the liability of the company arising out of any guarantee is outstanding and the Nominee Director/s so appointed in exercise of he said power shall ipso facto vacate such office immediately the moneys owing by the Company to the Corporation is paid off or on the Corporation ceasing to hold debentures/shares in the Company or on the satisfaction of the liability of the Company arising out of any guarantee furnished by the Corporation.

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The Nominee Director/s so appointed under this Article shall be entitled to receive all General Meetings, Board Meetings and of the Meetings of the Committee of which the Nominee Director/s is/are member/s as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes. The Company shall pay to the Nominee Director/s sitting fees and expenses which the other Directors of the company are entitled but if any other fees, commission, monies or remuneration in any form is payable to the Directors of the Company, the fees, commission, monies and remuneration in relation to such Nominee Director/s shall accrue to the Corporation and same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or by such Nominee Director/s in connection with their appointment of Directorship, shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s.

Provided that if any such Nominee Director/s is an officer of the Corporation and sitting fee in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.

Provided further that if such Nominee Director/s is an of the Reserve Bank of India the sitting fees in relation to such Nominee Director/s shall also accrue to IDBI and the same shall accordingly be paid by the Company directly to IDBI.

Provided also that in the event of the Nominee Director/s being appointed as wholetime Director/s such Nominee Director/s shall exercise such powers and duties as may be approved by the Lenders and have such rights as are usually exercised or available to a whole time Director, in the management of the affairs of the Borrower. Such Nominee Director/s shall be entitled to receive such remuneration, fees, commission and monies as may be approved by the Lenders.

Special Director

145 (a) In connection with any collaboration arrangement with any company or corporation or firm or person for supply of technical know-how and/or machinery or technical advise, the Directors may authorise such Company, Corporation, firm or person (hereinafter in this clause referred to as "Corporation") to appoint from time to time, any person or persons as Director or Directors of the Company (hereinafter referred to as "Special Director") and may agree that such Special Director shall hold office so long as such collaboration arrangement remains in force unless otherwise agreed upon between the Company and such Collaborator under the collaboration arrangements or any time thereafter.

(b) The Collaborator may at any time and from time to time remove any such Special Director appointed by it and may at the time of such removal and also in the case of death or resignation of the person so appointed at any time, appoint any other person as a Special Director in his place and such appointment or removal shall be made in writing signed by such company or corporation or any partner or such person and shall be delivered to the Company at its registered Office.

(c) It is clarified that every collaborator entitled to appoint a Director under this Article may appoint one or more such person or persons as a Director(s) and so that if more than one Collaborator is so entitled there may at any time be as many Special Directors as the Collaborators eligible to make the appointment.

Limit on Number of Non-Retiring Directors.

146. Subject to the Provisions of Section 255 of the Act, the number of Directors appointed under Articles 143, 144 and 145 shall not exceed in the aggregate one-third of the total number of Directors for the time being in office.

Appointment of Alternate Director

147. The Board may appoint an alternate Director to act for a Director (hereinafter called "the original Director") during his absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held. An alternative Director so appointed shall not hold office as such for a period longer than that permissible to the original Director in whose place he had been appointed and shall vacate if and when the original Director returns to the State in which meetings of the Board are ordinarily held.

Appointment of Additional Director

148. Subject to the provisions of Section 260 of the Act, the Board of Directors shall have power at any time to appoint any person as an additional Director to the Board, but so that the total number of Directors shall not exceed the maximum number fixed by the Articles. Any Director so appointed shall hold the office only upto the next annual general meeting of the Company and shall then be eligible for reappointment.

Remuneration of Directors

152. The remuneration of a Director for his service shall be such sum as may be fixed by the Board of Directors subject to a ceiling as may be prescribed by the Central Government from time to time for each meeting of the Board or a Committee thereof attended by him. The Directors subject to the sanction of the Central Government (if any required) may be paid, such further remuneration as the Company in General Meeting shall, from time to time, determine and such further

remuneration shall be divided among the Directors in such proportion and manner as the Board may from time to time determine and in default of such determination shall be divided among the Directors equally.

Subject to the provisions of the Act, a Director who is either in the whole time employment of the Company or a Managing Director may be paid remuneration as provided in Sections 198, 309, 310 and 311 of the Act and Schedule-XIII of the Act either by way of monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other.

Subject to the provisions of the Act, a Director who is neither in the whole time employment of the Company nor a Managing Director may be paid remuneration as provided in Sections 198, 309, 310 and 311 of the Act and Schedule XIII of the Act either:

- (i) by way of a monthly, quarterly or annual payment with the approval of the Central Government, or
- (ii) by way of commission if the Company by special resolution authorised such payment.

A Director may receive remuneration by way of a fee for each meeting of the Board or a committee thereof attended by him as prescribed by Central Government.

Extra remuneration to Directors for special work.

153. Subject to the provisions of Section 198, 309, 310, 311 and 314 of the Act, if any Director, being willing shall be called upon to perform extra services (which expression shall include work done by a Director as a member of any committee formed by the Directors or in relation to signing Share Certificates) or to make special exertions in going or residing out of his usual place of residence or otherwise for any of the purposes of the Company, the company shall remunerate the Director so doing either by a fixed sum or otherwise as may be determined by the Directors and such remuneration may be either in addition to or in substitution for his share in the remuneration above provided.

Director Not to Act when Number Falls Below Minimum.

156. When the number of Directors in Office falls below the minimum fixed above, the Directors, shall not act except in emergencies or for the purposes of filling up vacancies or for summoning a general meeting of the Company and so long as the number is below the minimum they may so act notwithstanding the absence of the necessary quorum.

Eligibility

157. A person shall not be capable of being appointed a Director if he has the disqualifications referred to in Section 274 of the Act.

Directors vacating office

158(a) The office of a Director shall vacate if:

- (i) he is found to be of unsound mind by a Court of competent jurisdiction.
- (ii) he applies to be adjudicated an insolvent.
- (iii) he is adjudicated as insolvent;
- (iv) he is convicted by a Court, of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months;
- (v) he fails to pay any call in respect of shares of the Company held by him, whether alone or jointly with others, within six months from the last date fixed for the payment of the call unless the Central Government by Notification in the Official Gazette removes the disqualification incurred by such failure;
- (vi) he absents himself from three consecutive meeting of the Board of Directors, or from all meetings of the Board of Directors for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board.
- (vii) He, whether by himself or by any person for his benefit or on his account or any firm in which he is a partner or any private company of which he is a Director, accepts a loan or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act;
- (viii) He acts in contravention of Section 299 of the Act;
- (ix) He becomes disqualified by an order of court under Section 203 of the Act;
- (x) He is removed in pursuance of Section 284 of the Act;

- (xi) Having been appointed a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company;
- (xii) He resigns his office by notice in writing given to the Company.
- (b) Notwithstanding anything in sub-clauses (iii), (iv) and (v) of Clause (a) above, the disqualifications referred to in these sub-clauses shall not take effect:
 - (i) for thirty days from the date of the adjudication, sentence or orders;
 - (ii) where any appeal or petition is preferred within thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentence or order until the expiry of seven days from the date on which such appeal or petition is disposed off, or
 - (iii) where within the seven days aforesaid, any further appeal, or petition is preferred in respect of the adjudication, sentence, conviction or order and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed off.

Removal of Directors

- 159(a) The Company may (subject to the provisions of Section 284 and other application provisions of the Act and these Articles) remove any director other than ex-officio directors or special directors or debenture directors or a nominee director or a director appointed by the Central Government in pursuance of Section 408 of the Act, before the expiry of his period of office.
- (b) Special notice as provided by Section 190 of the Act shall be required of any resolution to remove a Director under this Article or to appoint some other person in place of a Director so removed at the meeting at which he is removed.
 - (c) On receipt of notice of a resolution to remove a Director under this Article, the Company shall forthwith send a copy thereof to the Director concerned and the Director (whether or not he is a member of the Company) shall be entitled to be heard on the resolution at the meeting.
 - (d) Whether notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representations in writing to the Company (not exceeding a reasonable length) and requests their notification to members of the Company, the Company shall unless the representations are received by it too late for it to do.
 - (i) In the notice of the resolution given to members of the Company state the fact of representations having been made, and
 - (ii) Send a copy of the representation to every member of the Company whom notice of the meeting is sent (whether before or after receipt of the representations by the Company), and if a copy of representations, is not sent as aforesaid because they were received too late or because of the Company's default, the Director may (without prejudice to his right to be heard orally) require that the representations be read out at the meeting, provided that copies of the representations need not be sent or read out at the meeting if so directed by the Court.
- (a) A vacancy created by the removal of a Director under this Article may, if he had been appointed by the Company in general meeting or by the Board in pursuance of Section 262 of the Act be filled by the appointment of another Director in his stead by the meeting at which he is removed, provided special notice of the intended appointment has been given under clause (b) hereof. A Director so appointed shall hold office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.
- Provided that the Director who has removed from office under this Article shall not be re-appointed as a Director by the Board of Directors.
- (b) Nothing contained in this Article shall be taken:
 - (i) as depriving a person removed thereunder of any compensation or damages payable to him in respect of the termination of his appointment as Director or of any appointment terminating with that as director; or
 - (ii) as derogating from any power to remove a Director which may exist apart from this Article.

Disclosure of Directors' interest

- 161(1) Every Director of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into, by or on behalf of the

Company, shall disclose the nature of his concern of interest at a meeting of the Board of Directors, in the manner provided in Section 299 (2) of the Act.

- (2) (a) In the case of proposed contract or arrangement, the disclosure required to be made by a Director under clause (1) shall be made at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, or if the Director was not, at the date of that meeting, concerned or interested in the proposed contract or arrangement, at the first meeting of the Board held after he be so concerned or interested.
- (b) In case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.
- (3) (a) For the purpose of Clause (1) and (2) a general notice given to the Board by a Director to the effect that he is a Director or a member of specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notices, entered into with that body corporate or firm, shall be deemed to be sufficient disclosure of concern or interest in relation to any contract or arrangement so made.
- (b) Any such general notice, shall expire at the end of the financial year in which it is given, but may be renewed for further period of one financial year at a time by a fresh notice given in the last month of financial year in which it would otherwise expire.
- (c) No such general notice and no renewal thereof, shall be of effect unless either it is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.
- (d) Nothing in this Article shall apply to any contract or arrangement entered into or to be entered into between the Company and any other company where any one or two or more of Directors together holds or hold not more than two percent of the paid up share capital in other company.

Disclosures to the Members of Directors' interest in contract in appointing Manager Managing Director of Secretaries and Treasurers.

163.If the Company -

- (a) enters into a contract for the appointment of a Manager or Managing Director of the Company in which contract any Director of the Company is in any way directly or indirectly concerned or interested; or
- (b) varies any such contract already in existence and in which a Director is concerned or interested as aforesaid, the provisions of Section 302 of the Act shall be complied with.

Holding of Office of Profit by Directors etc.

164.(1) Except with the consent of the Company accorded by a special resolution:

- (a) No Director of the Company shall hold any office or place of profit; and
- (b) No partner or relative of such a Director, no firm in which such a Director or relative of such Director is partner, no private company of which such a Director is a Director or member, and no Director or Manager of such a private company shall hold any office or place of profit, carrying a total monthly remuneration of such sum as may be prescribed, except that of Managing Director or Manager, banker or trustee for the holders of debentures of the Company :
 - (i) under the Company; or
 - (ii) under any subsidiary of the Company, unless the remuneration received from such subsidiary in respect of such office or place of profit is paid over to the Company or its holding Company PROVIDED that it shall be sufficient if the special resolution according consent of the Company is passed at the general meeting of the Company held for the first time after the holding of such office or place of profit;

For the purpose of this clause a special resolution according consent shall be necessary for every appointment in the first instance to an office or place of profit and to every subsequent appointment in the first instance to an office or place of profit on a higher remuneration not covered by the special resolution except where an appointment on a time scale has already been approved by the special resolution;

- (2) Nothing in Clause (1) hereof shall apply where a relative of a Director or a firm in which such relative is a partner holds any office or place of profit under the Company or a subsidiary thereof having been appointed to such office or place before such Director becomes a Director of the Company.
- (3) If any officer or place of profit is held in contravention of the provisions of sub-clause (1), above or except as provided by clause (2) above, the Director, partner, relative, firm, private company or manager concerned shall be deemed to have vacated his or its office as such on and from the date next following the date of the general meeting of the Company referred to in the first proviso to clause (1) above or, as the case may be, the date of expiry of the period of three months referred to in the Second proviso to clause (1) above, and shall also be liable to refund to the Company remuneration received or the monetary equivalent of any perquisite or advantage enjoyed by him or it for the period immediately preceding the date aforesaid in respect of such office or place of profit.
- (4) Every individual, firm, private Company, or other body corporate proposed to be appointed to any office or place of profit to which this article applies shall, before or at the time of such appointment, declare in writing whether he or it is or is not connected with the Director of the Company in any of the ways referred to in clause (1).
- (5) Any office of place shall be deemed to be an office or place of profit under the Company within the meaning of Clause (1).
 - (a) In case the office or place is held by a Director, if the Director holding it obtains from the Company anything by way of remuneration over and above the remuneration to which he is entitled as such Director whether as salary, fees, commission, perquisite, the right to occupy free of rent any premises as a place of residence or otherwise;
 - (b) In case the office or place is held by an individual other than Director or by any firm, private company or other body corporate if the individual firm, private company or body corporate holding it obtains from the Company anything by way of remuneration whether as salary, fees, commission, perquisite, the right to occupy free of rent any premises as a place of residence or otherwise.
- (6) Notwithstanding anything contained in sub-clause (1) -
 - (a) no partner or relative of Director or Manager;
 - (b) no firm in which such Director or Manager or relative of either is a Partner;
 - (c) no private Company of which such a Director or Manager or relative of either is a Director or Member;

shall hold any office or place of profit in the Company which carries a total monthly remuneration of not less than such sum as may be prescribed except with the prior consent of the Company by a Special Resolution and the approval of the Central Government.

Loans to Director etc.

165 The Company shall not without obtaining the previous approval of the Central Government in that behalf, directly or indirectly make any loan to or give any guarantee or provide any security in connection with loan made by any other person to, or any other person by -

- (a) any Director of the Company or any partner or relative of any such Director;
- (b) any firm in which any such Director or relative is a partner;
- (c) any private company of which any such Director is a Director or member;
- (d) any body corporate at a general meeting of which not less than twenty five per cent of the total voting power may be exercised or controlled by any such Director, or by two or more such Directors together; or
- (e) any body corporate, the Board of Directors, Managing Director or Manager whereof, is accustomed to act in accordance with the directions or instruction of the Board, or of any Director or Directors of the Company.

ROTATION AND APPOINTMENT OF DIRECTORS

Director may be Director of Companies Promoted by the Company.

169.A Director may be or become a Director of any Company or in which it may be interested as a vendor, shareholder, or otherwise, and no such Director shall be accountable for any benefits received as Director or shareholder of such Company except in so far as Section 309(6) or Section 314 of the Act may be applicable.

Not less than two thirds of the total number of Directors shall:

- (a) be persons whose period of office is liable to determination by retirement of Directors by rotation, and
- (b) save as otherwise expressly provided in the Act, be appointed by the Company in general meeting.

The remaining Directors shall, in default or and subject to any regulations in the Articles of the Company, also be appointed by the Company, in general meeting.

Ascertainment of Directors Retiring by Rotation and Filling up vacancy.

- 170 (a) At every annual general meeting one-third of such directors for the time being as are liable to retire by rotation, or if their number is not three or multiple of three, then the number nearer to one-third, shall retire from office.

The Debenture Directors, Corporation Directors, Special Directors and subject to Article 146 Chairman, Managing Director or whole time Director if any, shall not be subject to retirement under this Article and shall not be taken into account in determining the number of Directors to retire by rotation. In these Articles a "Retiring Director" means a Director retiring by rotation.

- (b) The Directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment, but as between persons who became Directors on the same day, those who are to retire shall, in default of and subject to any agreement amongst themselves, be determined by lot. A retiring Director shall be eligible for re-election.
- (c) At the annual general meeting at which a Director retires as aforesaid, the Company may fill up the vacancy by appointing the retiring Director or some other person thereto.
- (d) (i) If the place of the retiring Director is not so filled up and that meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place.
- (ii) if at the adjourned meeting also, the place of the retiring Director is not filled up and that the meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned meeting, unless -
 - (1) at that meeting or at the previous meeting a resolution for the re-appointment of such Director has been put to the meeting and lost;
 - (2) the retiring Director has, by a notice in writing addressed to the Company or its Board of Directors, expressed his unwillingness to be so re-appointed;
 - (3) he is not qualified or is disqualified for appointment;
 - (4) a resolution, whether special or ordinary, is required for his appointment or re-appointment in virtue of any provisions of the Act; or
- (e) the proviso to sub-section (2) of Section 263 of the Act is applicable to the case.

Company may increase or reduce the number of Directors or remove any Director.

173. Subject to the provisions of Sections 252, 255 and 259 of the Act, and these Articles the Company may, by ordinary resolution, from time to time, increase or reduce the number of Directors and may prescribe or alter qualifications.

Appointment of Directors to be voted individually

- 174(1) No motion at any general meeting of the Company shall be made for the appointment of two or more persons as Directors of the Company by a single resolution unless a resolution that it shall be so made, has been first agreed to by the meeting without any vote being given against it.
- (2) A resolution moved in contravention of clause (1) hereof shall be void, whether or not objection was taken at the time of its being so moved, provided that for the automatic re-appointment of retiring Director in default of another appointment as hereinbefore provided shall apply.
 - (3) For the purpose of this Article, a motion for approving a person's appointment, or for nominating a person for appointment, shall be treated as a motion for this appointment.

PROCEEDINGS OF DIRECTORS

Meeting of Directors

179. The Directors may meet together as a Board for transaction of business from time to time and shall so meet at least once in every three months and at least four such meetings shall be held in every year and they may adjourn and otherwise regulate their meetings and proceedings as they deem fit. The provisions of this Article shall not be deemed to be contravened merely by reason of the fact that meeting of the Board, which had been called in compliance with the terms herein mentioned could not be held for want of quorum.

When Meeting to be convened.

180. Any Director of the Company may and the Manager or Secretary on the requisition of a Director shall, at any time, summon a meeting of the Board.

Directors entitled to Notice

181. Notice of every meeting of the Board of the Company shall be given in writing to every Director for the time being in India and at his usual address in India. Notice may be given by telegram/cable/telex to any Director who is not in the State of Gujarat.

Appointment of Chairman

182. The Directors may from time to time elect from among themselves a Chairman of the Board and determine the period for which he is to hold office. If at any meeting of the Board, the Chairman is not present within fifteen minutes after the time appointed for holding the same the Directors present may choose one of their members to be Chairman of the meeting.

Quorum at Board Meeting

183. Subject to Section 287 of the Act, the quorum for a meeting of the Board shall be at the time and any fraction contained in that one-third being rounded off as one, or two Directors, whichever is higher PROVIDED that where at any time the number of interested Directors exceeds or is equal to two-thirds of the total strength of the number of remaining Director that is to say, the number of Directors who are not interested present at the meeting being not less than two, shall be the quorum during such time.

Appointment of Managing Director / Whole-time Director

184. (a) Subject to the provisions of Sections 267, 268, 269, 309, 310, 311, 316, 317 and other applicable provisions, if any, of the Act and these Articles the Board of Directors may from time to time appoint one or more Director or Directors to be Managing Director/s or Whole time Director/s of the Company for a fixed term not exceeding five years at a time or for such period as may be prescribed by the Act or the Central Government from time to time upon such terms and conditions as the Board thinks fit for which he or they is or are to hold such office and may from time to time remove or dismiss him or them from the office and appoint another or others in his or their place or places.
- (b) Any Managing Director or/s or whole time Director/s so appointed shall not be required to hold any qualification shares and shall not be liable to retire by rotation at any General Meeting of the Company.
- (c) Subject to the provisions of Sections 198, 269, 309, 310 and 311 of the Act and also subject to the limitations, conditions and provisions of Schedule XIII to the Act, the appointment and payment of remuneration to the above Director/s shall be subject to approval of the members in general meeting and of the Central Government if required.
- (d) Subject to the superintendence, control and direction of the Board the day to day management of the Company shall be vested with the Managing Director/s or Whole-time Director/s Managing Director/s if any, with Power to the Board to distribute such day to day management functions in any manner as deemed fit by the Board subject to the provisions of the Act and these Articles.

Resolution by Circular

186. No Resolution by circular shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation unless such Resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors, or to all the members of the Committee at the respective addresses registered with the Company and has been approved by the majority of the Directors or Members of the Committee or by a majority of such of them as are entitled to vote on the Resolution.

Limit of Directors Numbers

188. Subject to the provisions of Sections 252, 255 and 259 of the Act, the Company in general meeting may, by ordinary resolution, increase or reduce the number of Directors within the limits fixed in this behalf by the Articles.

Dividends out of profits only

202 (i) No Dividend shall be declared or paid by the Company for any financial year except out of the profits of the Company for that year arrived at after providing for depreciation in accordance with the provisions of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with those provisions and remaining undistributed or out of both or out of moneys provided by the Central Government or State Government for the payment of dividend in pursuance of a Guarantee given by the Government and except after the transfer to the reserves of the Company of such percentage out of the profits for the year not exceeding ten percent as may be prescribed or voluntarily such higher percentage in accordance with the rules as may be made by the Central Government in that behalf. PROVIDED however whether owing to inadequacy or absence of profits in any year, the Company proposes to declare out of the accumulated profits earned by the Company proposed to declare out of the accumulated profits earned by the Company in previous years and transferred by it to the reserves, such declaration of dividend shall not be made except in accordance with such rules as may be made by the Central Government in this behalf, and whether any such declaration is not in accordance with such rules, such declaration shall not be made except with the previous approval of the Central Government.

(ii) The depreciation shall be provided either -

- (a) to the extent specified in Section 350 of the Act; or
- (b) in respect of each item of a depreciable assets, for such an amount as is arrived at by dividing 95 per cent of the original cost thereof to the Company by the specified period in respect of such asset; or
- (c) on any other basis approved by the Central Government which has the effect of writing off by way of depreciation 95 per cent of the original cost of the company of its such depreciable asset on the expiry of the specified period; or
- (d) as regards any other depreciable assets for which no rate of depreciation has been laid down by the Act or any rules made thereunder on such basis as may be approved by the Central Government by any general order published in the Official Gazette or by any special order in the case of the company.

Provided that where depreciation is provided for in the manner laid down in Clause (b) or Clause (c), then in the event of the depreciated assets being sold, discarded, demolished or destroyed, the written down value thereof at the end of the financial year in which the assets is sold, discarded, demolished or destroyed shall be written off in accordance with the proviso to Section 350 of the Act.

- (iii) No dividend shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the capitalization of the profits or reserves of the Company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by members of the Company.
- (iv) Nothing in this Article shall be deemed to affect in any manner the operation of Section 208 of the Act.
- (v) For the purpose of this Articles 'Specified period' in respect of any depreciable asset shall mean the number of years t the end of which atleast 95 percent of the original cost of that asset to the Company will have been provided for by way of depreciation, if depreciation were to be calculated in accordance with the provisions of Section 350 of the Act.

Interim Dividend

203. The Board of Directors may from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

Dividends in Proportion to amount paid-up

206. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued in terms providing that it shall rank for dividends as from a particular date such share shall rank for dividend accordingly.

Right to Dividend, Right shares and Bonus shares to be held in abeyance pending Registration of transfer of shares.

207. where any instrument of transfer of shares has been delivered to any company for registration and the transfer of such shares has not been registered by the Company, it shall, notwithstanding anything contained in any other provision of this Act, shall -

ASAHI SONGWON COLORS LIMITED

- (a) transfer the dividend in relation to such shares to the special account referred to in Section 205-A unless the Company is authorised by the registered holder of such shares, in writing to pay such dividend to the transferee specified in such instrument of transfer; and
- (b) keep in abeyance in relations to such shares any offer of rights shares under clause (a) of sub-section (1) of Section 81 and any issue of fully paid-up bonus shares in pursuance of sub-section (3) of Section 205.

Dividends How remitted.

210. The dividend payable in cash may be paid by cheque or warrant sent through post direct to the registered address of the shareholder entitled to the payment of the dividend or in case of joint holders to the which is first named on the register of members or to such person and to such address as the holder or the joint holder may in writing direct. The Company shall not be liable or responsible for any cheque or warrant or pay-slip or receipt lost in transmission or for any dividend lost, to the member or person entitled thereto by forged endorsement of any cheque or warrant or the fraudulent recovery of the dividend by any other means.

Notice of Dividend

211. Notice of the declaration of any dividend whether interim or otherwise shall be given to the registered holder or share in the manner herein provided.

Unpaid Dividend or Dividend Warrant Posted

- 212 (a) Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 42 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period or 42 days, open a special account in that behalf in any scheduled bank called Unpaid Dividend of "Asahi Songwon Colors Ltd." and transfer to the said Account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.
- (b) Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of three years from the date of such transfer, shall be transferred by the Company to the general revenue account of the Central Government. A claim to any money so transferred to the general revenue account may be preferred to the Central Government by the shareholder to whom the money is due.

213. No unclaimed dividend shall be forfeited by the Board.

CAPITALIZATION

Capitalization

215 (a) Any general meeting may resolve that any amount standing to the credit of the share premium account or the capital redemption reserve account or any moneys, investments or other assets forming part of the undivided profits (including profits or surplus moneys arising from the realization and where permitted by law, from the appreciation in value of any capital assets of the Company) standing to the credit of the General Reserve, Reserve or any Reserve Fund or any other fund of the Company or in the hands of the Company and available for dividend may be capitalised. Any such amount (excepting the amount standing to the credit of the Share Premium Account and/or the capital redemption Reserve Account) may be capitalised:

- (i) by the issue and distribution as fully paid shares, debentures, debenture-stock, bonds or obligations of the Company, or
- (ii) by crediting the shares of the Company which may have been issued and are not fully paid up, with the whole or any part of the sum remaining unpaid thereon.

Provided that any amounts standing to the credit of the Share premium account may be applied in;

- (1) Paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares;
- (2) in writing off the preliminary expenses of the Company;
- (3) in writing off the expenses of, or the commission paid or discount allowed on any issue of shares or debentures of the Company, or
- (4) in providing for the premium payable on the redemption of any redeemable preference share or of any debentures of the Company, provided further that any amount standing to the credit of the Capital redemption Reserve

Account shall be applied only in paying up unissued Shares of the Company to be issued to the members of the Company as fully paid bonus shares.

- (b) Such issue and distribution under sub-clause (a)(i) above and such payment to the credit of unpaid share capital sub-clause (a)(ii) above shall be made to, among and in favour of the members of any class of them or any of them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution under sub-clause (a)(ii) above shall be made on the footing that such members become entitled thereto as capital.
- (c) The Directors shall give effect to any such resolution and apply portion of the profits, General Reserve Fund or any other fund or account as aforesaid as may be required for the purpose of making payment in full for the shares, debentures or debenture-stock, bonds or other obligations of the Company so distributed under sub-clause (a)(i) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid-up under sub-clause above provided that no such distribution or payment shall be made unless recommended by Directors and if so recommended such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalized sum.
- (d) For the purpose of giving effect to any such resolution the Directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates or coupons and fix the value for distribution of any specific assets and may determine that such payments be made to any members on the footing of the value so fixed and may vest any such cash, shares, fractional certificates or coupons debentures, debenture-stock, bonds or other obligations in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such arrangement for the acceptance, allotment and sale of such shares, debenture, debenture-stock, bonds or other obligations and fractional certificates or coupons or otherwise as they may think fit.
- (e) Subject to the provisions of the Act and these Articles, in cases where some of the shares of the Company are fully paid and others are partly paid only, such capitalization may be effected by the distribution of further shares in respect of the fully paid shares, and in respect of the partly paid shares the sums so applied prorata in proportion to the amount then already paid or credited as paid on the existing fully paid and paid shares respectively.
- (f) When deemed requisite a proper contract shall be filed with the Registrar of Companies in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the members entitled as aforesaid and such appointment shall be effective.

Right of Members to copies of Balance Sheet and Auditor's Report.

224. A copy of every balance sheet including the profit and loss account and the auditor's report and every other document required by law to be annexed or attached, as the case may be, to the balance sheet which is to be laid before the Company in General Meeting, shall be made available for inspection at the Registered Office of the Company during the working hours for a period of 21 days before the date of the meeting. A statement containing the salient features of such documents in the prescribed form or copies of the documents aforesaid, as may be permitted by Section 219 of the Act and as the Company may deem fit, will be sent to every member of the company and to every Trustees for the holders of any debentures issued by the Company, not less than 21 days before the date of the meeting as laid down in Section 219 of the Act. Provided that it shall not be necessary to send copies of the documents aforesaid to:
- (a) to a member or holder of the debentures of the Company who is not entitled to have the notice of general meeting of the Company sent to him and whose address the Company is unaware;
 - (b) to more than one of the joint holder of any shares or debentures some of whom are and some of whom are not entitled to have such notice sent to them, by those who are not so entitled.

AUDIT

Accounts to be audited

226. Every Balance Sheet and Profit and Loss Account shall be audited by one or more Auditors to be appointed as hereinafter mentioned.

Appointment of Auditors

- 227 (1) The Auditors shall be appointed and their qualifications, rights and duties regulated in accordance with Sections 224 to 229 and 231 of the Act.

- (2) The Company shall at each annual general meeting appoint an Auditor or auditors to hold office from the conclusion of that meeting until the conclusions of the next annual general meeting and shall within seven days of appointment give intimation thereof to the Auditors so appointed unless he retiring Auditors.
- (3) At any annual general meeting a Retiring Auditor, by whatever authority appointed shall be reappointed unless:
 - (a) he is not qualified for re-appointment
 - (b) he has given the Company notice in writing of unwillingness to be re-appointed.
 - (c) a resolution has been passed at that meeting appointing somebody instead of him or providing expressly that he shall not be re-appointed or
 - (d) where notice has been given of an intended resolution to appoint some persons or person in the place of a retiring Auditor, and by reason of death, incapacity or disqualification of that person or of all those persons as the case may be, the Resolution cannot be proceeded with.
- (4) Where at annual general meeting no Auditors are appointed or reappointed the Central Government may appoint a person to fill the vacancy.
- (5) The Company shall, within seven days of the Central Government's power under the sub-clause (4) becoming exercisable give notice of that fact to that Government.
- (6) The Directors may fill any casual vacancy in the office of the Auditor, but while any such vacancy continues, the serving or continuing Auditor or Auditors (if any) may act but where such vacancy is caused by resignation of an Auditor the vacancy shall only be filled by the Company general meeting.
- (7) A person other than a retiring Auditor, shall not be capable of being appointed at an annual general meeting unless a special notice of a resolution for appointment of that person to the office of Auditor has been given by a member to the Company not less than fourteen days before the meeting in accordance with Section 190 of the Act and Company shall send a copy of any such notice to retiring Auditor and shall give notice thereof to the members in accordance with Section 225 of the Act. The provisions of this sub-clause shall also apply to a resolution that retiring Auditor shall not be re-appointed.

WINDING UP

Distribution of Assets

- 239 (a) Subject to the provisions of the Act, if the Company shall be wound up and the assets available for distribution among the members as such shall be less than sufficient to repay the whole of the paid up capital such assets shall be distributed so that, as nearly, as may be, the losses shall be borne by the members in proportion to the Capital paid up, or which ought to have been paid up, at the commencement of winding up, on the shares held by them respectively. And if in winding up, the assets available for distribution among the members shall be more than sufficient to repay the whole of the Capital paid up at the commencement of the winding up the excess shall be distributed amongst the members in proportion to the Capital at the commencement of the winding up or which ought to have been paid up on the shares held by them respectively.
- (b) But this clause will not prejudice the rights of the holders of shares issued upon special terms and conditions.

Distribution in Specie or Kind

240. Subject to the provisions of the Act:

- (a) if the Company shall be wound up whether voluntarily or otherwise, the liquidators may with the sanction of a special resolution and any other sanction required by the Act, divide amongst the contributories, in specie or kind the whole of any part of the assets of the Company, and may, with the like sanction vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories or any of them as the liquidators with the like sanction shall think fit.
- (b) If though expedient, any such division may, subject to the provisions of the Act, be otherwise than in accordance with the legal rights of the contributories (except where unalterably fixed by the Memorandum of Association) and in particular any class may be given (subject to the provisions of the Act) preferential or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories shall be determined or any contributory who would be prejudiced thereby shall have the right; if any to dissent and ancillary rights as if such determination were a special resolution passed pursuant to Section 494 of the Act.

- (c) In case any shares to be divided as aforesaid involves a liability to calls or otherwise, any person 'entitled under such division to any of the said shares may within ten days after the passing of the special resolution, by notice in writing direct the liquidators to sell his proportion and pay him the net proceeds and the shall, if applicable act accordingly.

Rights of Shareholders in case of Sale

- 241 Subject to the provisions of the Act, a special resolution sanctioning a sale to any other Company duly passed may, in like manner as aforesaid, determine that any shares or other consideration receivable by the Liquidators be distributed amongst the members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the members subject to the rights of dissent, if any, if such right be given by the Act.

SECTION X : MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies, Gujarat at Ahmedabad for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office of our Company situated at 168/169, Village Indrad, Kadi-Kalol Road, Dist. Mehsana, Gujarat, Pin - 382727 from 11.00 am to 3.00 pm on working days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts

1. Memorandum of Understanding, dated December 12, 2006 signed between our Company and Fortune Financial Services (India) Limited, the Book Running Lead Managers to the Issue.
2. Memorandum of Understanding, dated December 12, 2006 signed between the Company and Intime Spectrum Registry Limited, the Registrar to the Issue.
3. Copy of the Tri-partite Agreement dated April 27, 2007 between NSDL, the Company and Registrar to the Issue.
4. Copy of the Tri-partite Agreement dated April 26, 2007 between CDSL, the Company and Registrar to the Issue.
5. Escrow Agreement dated April 25, 2007 among our Company, the BRLM, Escrow Collection Banks and Registrars to the Issue.
6. Syndicate Agreement dated April 24, 2007 among our Company, the BRLM and the Syndicate Members.

Documents for Inspection

1. Memorandum and Articles of Association of Asahi Songwon Colors Limited, as amended from time to time.
2. Certificate of Incorporation of Asahi Songwon Colors Limited formerly known as Lucky Laminates Private Limited] dated 10th December, 1990
3. Fresh Certificate of incorporation consequent to change of name from "Lucky Laminates Private Limited" to "Lucky Laminates Limited" dated 19th April 1996.
4. Fresh Certificate of incorporation consequent to change of name from "Lucky Laminates Limited" to Asahi Songwon Colors Limited" dated 19th April 1996.
5. Copy of special resolution passed at EGM dated October 20, 2006 u/s 81 (1A) authorizing the Issue of Equity Shares.
6. Copies of letters to BSE regarding In-principle approval for Listing.
7. Copy of In-principle approval from BSE dated February 8, 2007.
8. Copies of Auditors Reports issued by Statutory Auditors of the Company, M/s Trushit Chokshi & Associates., Chartered Accountants, regarding reinstated financial of the company for last five financial years dated April 12, 2007.
9. Copy of Tax Benefits Certificate issued by Statutory Auditors of the Company M/s. Trushit Chokshi & Associates.. Chartered Accountants, dated November 21 2006.
10. Certificate from Statutory Auditors dated April 10, 2007 regarding the deployment of funds in relation to the Fresh Issue.
11. Letter from State Bank of India dated October 12, 2006 sanctioning, inter alia, the term loans for the object of the Issue.
12. Letter from State Bank of India dated November 30, 2006 consenting to its name being disclosed in the Prospectus as the Appraising Institution
13. Letter dated November 10, 2006 from Team Projects & Consultants granting consent for inclusion, in part or otherwise, of Techno-Economic Viability Report dated June 12, 2006 in the Prospectus
14. Consent letters from Promoters, Directors, Book Running Lead Managers to the Issue, Bankers to the Issue, Bankers to the Company, Auditors, Legal Advisors to the Issue, Registrar to the Issue, Company Secretary & Compliance Officer to act in their respective capacities and for inclusion of their names in the Red Herring Prospectus.
15. Copies of Annual Reports of the Company for the last 5 accounting period i.e. FY 2002, FY 2003, FY 2004, FY 2005, FY 2006 and for period of nine months ended on December 31, 2006.

16. Copies of Annual Reports of the Group Companies for the last 3 accounting periods i.e. FY 2004, FY 2005, and FY 2006.
17. Due Diligence Certificate dated December 12, 2006 issued by Book Running Lead Managers to the Issue, Fortune Financial Services (India) Limited.
18. A copy of the SEBI Final observation letter no. CFD/ DIL/ SM/ ISSUES/ 86285/ 2007 dated February 13, 2007 received from SEBI, Mumbai in respect of the Public Issue of Asahi Songwon Colors Limited.
19. Copy of Technology Transfer Agreement with Songwon Colors Company Limited [now known as Clariant Pigments (Korea) Limited] entered on February 19, 1996.
20. Copy of Technology Transfer Contract of CPC Blue Crude with Songwon Color Company Limited entered on September 7, 2003.
21. Share Subscription Agreement dated April 17, 2007 between Dainippon Ink and Chemicals Inc. and Asahi Songwon Colors Limited and the Promoters of Asahi Songwon Colors Limited.
22. Letter dated April 24, 2007 between Dainippon Ink and Chemicals Inc. and Asahi Songwon Colors Limited and the Promoters of Asahi Songwon Colors Limited extending the term of the share subscription agreement.

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SECTION XI : DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all statements in this Red Herring Prospectus are true and fair.

SIGNED BY ALL THE DIRECTORS OF ASAHI SONGWON COLORS LIMITED

Mrs. Paru M. Jaykrishna

Mr. H. K. Khan*

Mr. R. K. Sukhdevsinghji*

Mr. Arvind Goenka*

Mr. Gokul M. Jaykrishna

Mr. Munjal M. Jaykrishna

Prof. Pradeep J. Jha

Mr. Ashok Kumar Pareek
(Compliance Officer)

*Through their constituted Power of Attorney Mr. Gokul M. Jaykrishna

Date: April 30, 2007

Place: Ahmedabad

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