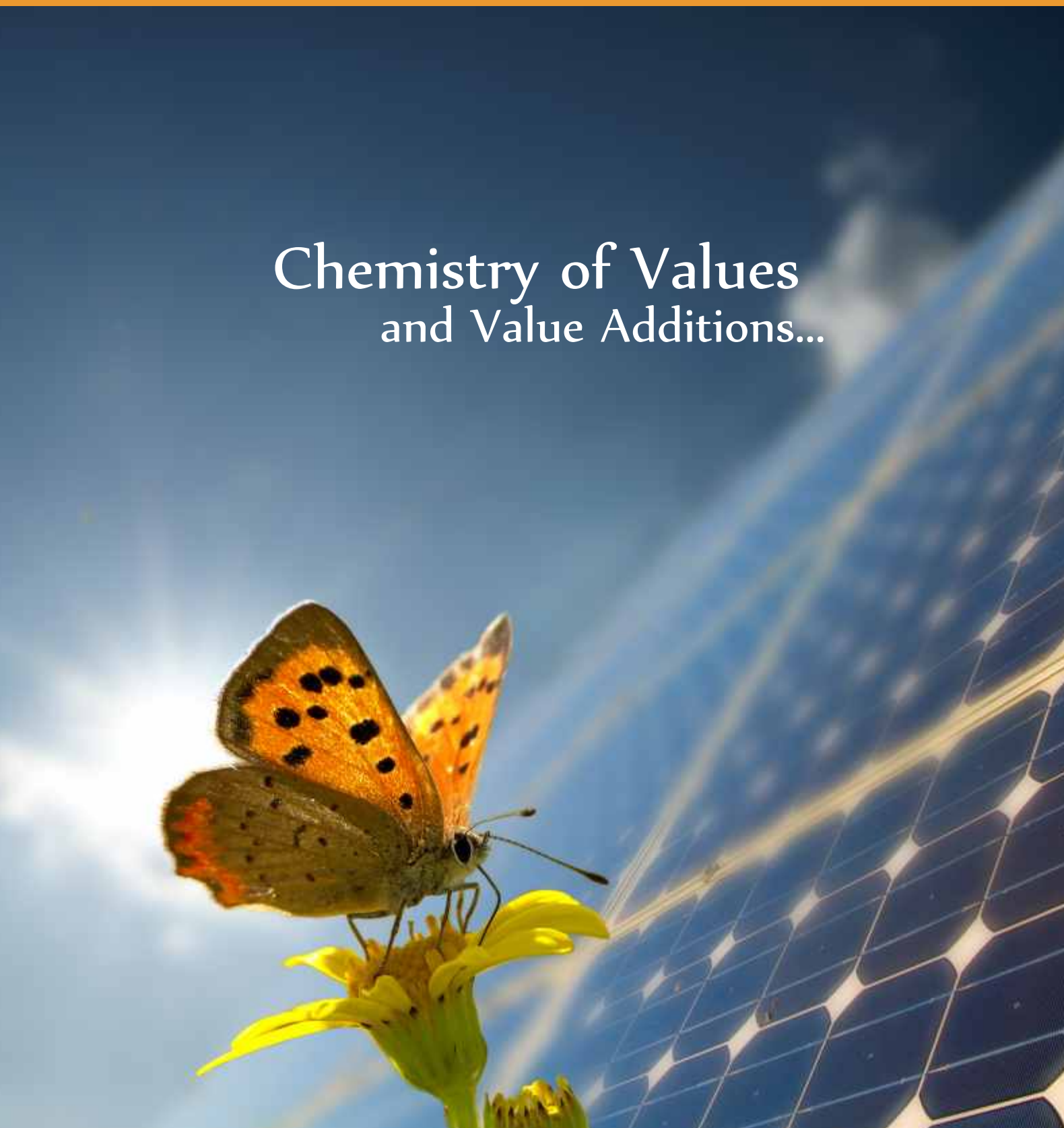
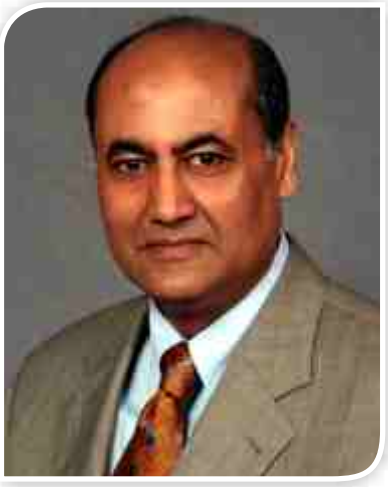
Kanoria Chemicals & Industries Limited

ANNUAL REPORT
2011-12

# Chemistry of Values
## and Value Additions...



# Board of Directors


R V Kanoria

Ravinder Nath

Amitav Kothari

H K Khaitan

B D Sureka

S L Rao

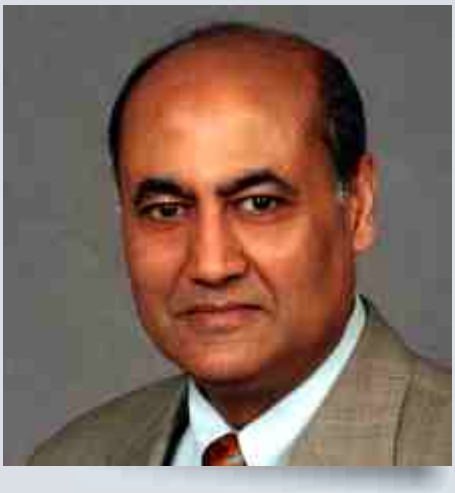
G Parthasarathy

T D Bahety

J P Sonthalia

A Vellayan

# Chairman's Statement



The year 2011-12 was a difficult one for businesses in India with a downturn in economic growth. High inflation and a consequent tight monetary policy impacted investments. The high fiscal deficit and increased government spending on welfare crowded out private borrowing. It is imperative for India to bring investment back so that the already acute supply side problems are not accentuated in the future.

The recovery in the global economy is slow and emerging economies of Brazil, India and China are all facing a slowdown. The Eurozone crisis continues and is throwing up new challenges. Although the World Bank believes that the contagion effect of the slowdown in developing countries in the current year would not be the determining factor for economic performance, concerns remain on the adverse impact of developments in Europe on the rest of the world. It is, however, evident that country specific productivity and sectoral factors would be the key drivers of economic growth.

While the prospects of a growth revival in the Indian economy appear positive, there are several challenges that need to be addressed quickly. The most important among these is the imperative of all political parties to come together on matters of economic policy and future course of reforms. The atmosphere of ennui has to be swiftly removed through measures that boost the confidence of industry. I am sure that the government is capable of rising to the occasion despite its coalition nature as was demonstrated during the balance of payment crisis in 1991, then in 1998 during the Asian currency crisis, and then again during the global economic recession in 2008.

The reforms need to get back on track and some big ticket policy announcements can revitalize the economy. The power of the Goods & Service Tax (GST), for instance, has not been fully recognized by everyone. Lack of passage of this bill has belied the expectation of industry, especially when the implementation would clearly have a two-pronged benefit of higher revenues and better tax administration that can bolster the confidence of industry. In my opinion, implementation of GST can add 2% to GDP growth and also improve tax compliance.

Providing impetus to promote investments in the economy is crucial for revival of economic growth. Growth of gross fixed capital formation has declined significantly since 2008 from about 15% to the current 5.6% in 2011 12. This trend needs to be reversed with measures such as providing accelerated depreciation,

re-introducing investment allowance and scrapping the Minimum Alternate Tax for infrastructure projects. I believe that these measures can boost investments in the economy without significantly affecting government finances.

The persistent high inflation is largely on account of supply side factors and attempts to control it through tight monetary measures have only compounded the problem. For improving supply, interest rates have to go down which would prompt increase in investment and, therefore, enhance supply of goods and services.

A common thread for both domestic and foreign investment to remain attractive and competitive is the access to physical infrastructure. Electricity generation, for instance, has remained lower than the current demand, leave alone future requirement of new industrial projects. It is inadequate even in terms of growing at the same rate as the economy. Shortfalls in this area have not only adversely impacted manufacturing growth, but have also resulted in fiscal drain. State control on inputs to the power sector, be it coal, oil or natural gas, propped up with inefficient subsidies needs immediate correction.

This presents a strong case for privatization of the coal sector, as well as removal of petroleum subsidies, even if it requires a one-time correction in fuel prices. I believe it is a better option to brace for this correction rather than allow state controlled oil and coal companies to perpetually incur losses and be supported by the exchequer.

It is an extremely busy year with a tremendous learning opportunity for me as the President of the Federation of Indian Chambers of Commerce and Industry (FICCI). I am deeply satisfied with the experience and feel that we have been able to raise important economic issues and our suggestions have impacted government policy. Doing so in an environment of economic slowdown is a challenge.

During the year, the Company commissioned the 5,600 TPA Hexamine plant at our integrated chemical complex at Vizag. The capacity at our Ankleshwar plant was also expanded by 2,000 TPA during the year. This takes up our combined capacity at both locations to 11,600 TPA, and firmly establishes the Company's leadership in this segment.

A year after divestment of our Chloro Chemicals Division at Renukoot, the Company has been exploring diversification in knowledge based and environment friendly high growth areas. The sectors of focus in this diversification are renewable energy, automotive components and textiles, as well as towards expanding the Company's international footprint.

KCI strengthened its portfolio in renewable energy, an area which we have nurtured over the years. The Company's maiden foray into solar power by way of a 5 MW grid-interactive project in Phalodi, in the Jodhpur district of Rajasthan began trial runs in the month of June 2012. Although this does not strictly pertain to the year under report, I believe that these initiatives would determine the character of the Company in the coming years and therefore constitute an important milestone for the Company.

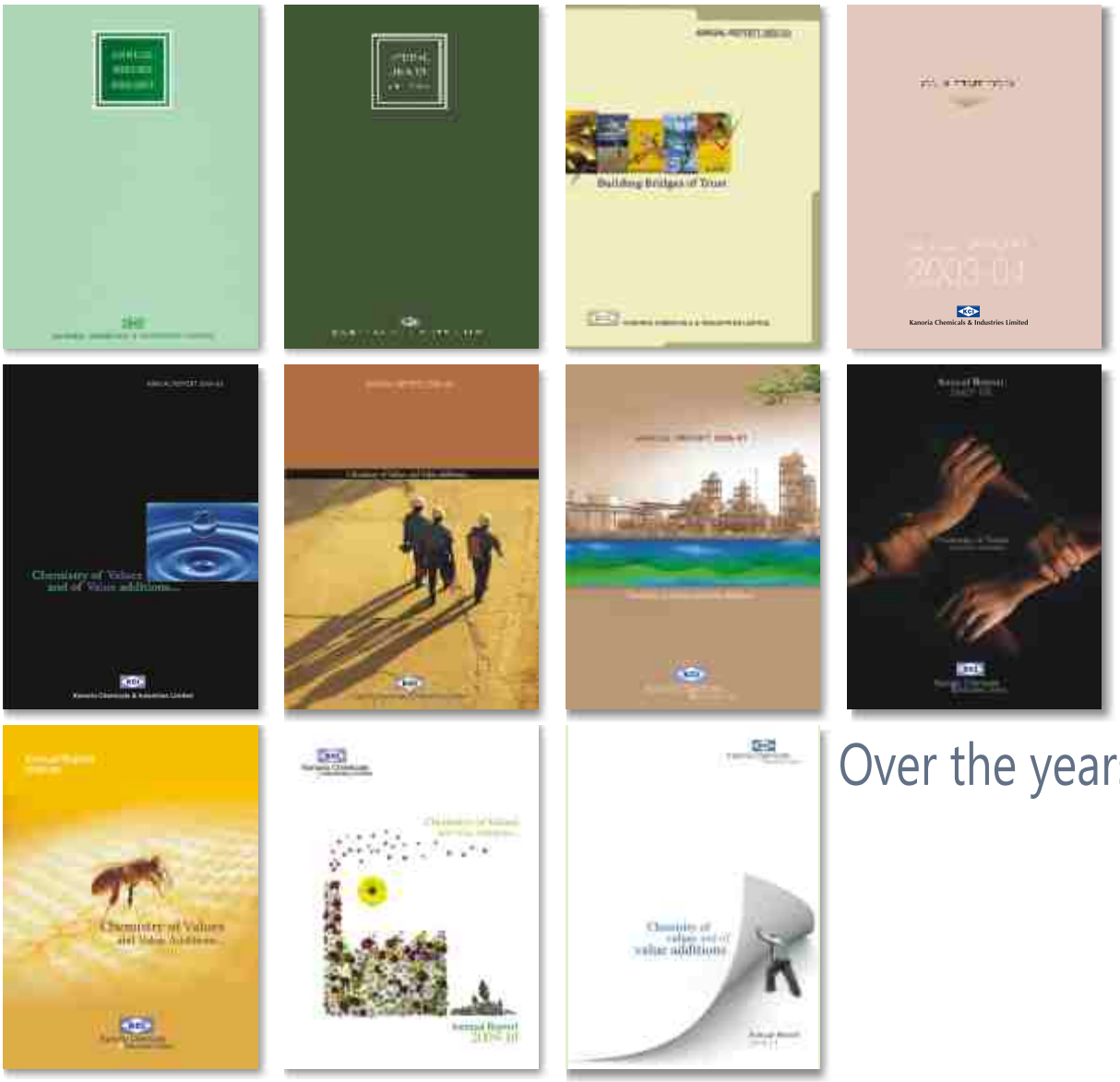
The other important diversification initiative of the Company was the acquisition of the APAG Group based in Zurich, Switzerland. APAG is known for its capability in product designing and engineering, and manufactures electronic and mechatronic modules and control devices at its facility located in the Czech Republic. It is a reliable partner to the high end automotive segment in Europe. With fast increasing demand in the high end automotive segment both in India and the rest of the world, the knowledge base of APAG can be leveraged for future expansion in various geographical segments. We are excited, as it is KCI's first global foray in manufacturing, apart from being the first move towards diversification away from commodity chemicals into knowledge based high value addition sectors.

The Company is setting up a Greenfield textiles manufacturing project in Ethiopia. Future economic growth would be driven by Africa and the Company intends to create a foothold for future expansions.

KCI has undoubtedly embarked on the next phase of its journey. We are confident that the diversification of our product range and geographical spread would stand the Company in good stead in the coming years. We believe that our five decades of experience in running successful businesses with a continuous vigil on costs, choice of technologies and deep commitment to sustainable development have fortified us to look to the future with optimism.

**R V Kanoria**
Chairman & Managing Director

Kanoria Chemicals
&Industries Limited




# Over the years ...

# Sustaining Growth

Striving for excellence and ensuring sustainable development at Kanoria Chemicals & Industries Limited (KCI) is a continuous process. The process includes consolidating the strengths that the Company has developed over the years, as well as leveraging external opportunities.

The unblemished record of growth and profitability of the Company is attributable to the KCI's policies on sustainability and transparency. The Vision Statement and the Corporate Responsibility Policy of the Company emphasizes adherence to best practices in corporate governance and environment management. KCI's practices in this area have been recognized by way of several awards including the coveted TERI Award for Corporate Excellence in Environment Management.

KCI has invested carefully in the best available technology. Along with efforts towards sustainable development, this has defined the framework of the Company's growth strategy. Based on these tenets, the Company over the years has developed a competitive edge in terms of low manufacturing costs, product quality and good manufacturing practices. KCI currently has market leadership in India in three of the products it manufactures, namely Pentaerythritol, Hexamine and Formaldehyde.

Innovation for sustainable development is an area of thrust for the Company. Management of waste in the chemicals industry is critical and KCI has demonstrated its commitment not only through statutory compliance but also proactive waste management initiatives. One such initiative is the Company's 'Waste to Wealth' programme run at its Alco Chemicals Division at Ankleshwar in Gujarat. The programme is based on the treatment of distillery effluent in a three pronged approach.

# The KCI Vision

"To be a responsible and respected player in Basic, Fine and Speciality Chemical manufacturing with a Global Footprint"

- Achieving globally benchmarked standards of excellence in all our operations and by being system driven.
- Institutionalizing a Knowledge Management System that enables generation, retention and sharing of knowledge across the corporation appropriately.
- Exploring and seizing opportunities in emerging and developing economies.
- Nurturing an R&D mindset and fostering innovation.
- Broadening our product base through a judicious mix of organic and inorganic means.
- Establishing a High Performance Work Culture and achieving highest levels of employee engagement.
- Following Principles of Corporate Governance and being socially responsible.
- Deploying cost effective and appropriate technology.

First the water content in the effluent is extracted thorough a reverse osmosis process that was deployed for such an application for the first time in the country. In the second phase, anaerobic reaction releases biogas which is directly used to generate up to 2 MW of electricity. Finally, the remaining sludge is dried and treated to make it into nutritional organic manure.

KCI is now poised towards diversification and leveraging new growth opportunities to consolidate its strong position in the Indian industry.

## KCI Policy on Corporate Social Responsibility

In keeping with the focus of the Company on sustainable development, we strive to enrich the quality of life of people, empower communities, and preserve the environment.

### CSR Mission

- We believe that the well being of the community and society in which we reside is of fundamental importance to our business activities.
- We discharge our social responsibility by investing in socially useful projects.
- We strive to act as a catalyst for community development through scientifically designed programmes.
- We operate with transparency and maintain high standards of integrity, business ethics, and corporate governance while engaging positively with our stakeholders.
- We work to maintain a judicious work life balance, safe & healthy work environment for our employees and contract workers.

# Awards received by KCI

- ICMA Award for Water Resource Management
- ICMA D.M. Trivedi Award for Introducing Advancement in Technology having a Widespread Impact on Chemical Industry
- TERI Award for Corporate Excellence in Environment Management
- World Environment Foundation Golden Peacock Award for Environment Management and Eco-Innovation
- Gold Award for Outstanding Achievement in Environment Management in Chemicals Sector by the Greentech Foundation
- National Award for Fly Ash Utilization by Department of Science & Technology, Ministry of Power and Ministry of Environment & Forests, Government of India
- ICC Award for Social Responsibility by the Indian Chemical Council (ICC)

# The Year in Review

The manufacturing sector in the year 2011-12 witnessed a sharp slowdown in growth. Strong inflationary pressures, a tight monetary policy and supply side constraints created a negative impact on the manufacturing sector.

Despite the challenges, it was a year of restructuring and diversification for KCI. Apart from the diversification initiative as given in the section 'New Frontiers', the Company added strength to the R&D Centre that was set up last year at KCI's integrated manufacturing facility at Ankleshwar in the state of Gujarat. During the year, the Centre worked to develop downstream derivatives of the Company's existing products and was successful in developing esters of Pentaerythritol.

The Centre is equipped to undertake product development activity in terms of synthesis, analysis and scale feasibility up to few kilograms. The Centre is also expected to soon develop capability of pilot plant facility for scale up and initial supply, as well as HAZOP

R&D Centre, Ankleshwar

study for safe processes. The R&D Centre strengthens the Company's in-house testing and analysis capabilities and is expected to outsource services in the near future to generate a revenue stream.

The Company commissioned the Hexamine plant at Vishakhapatnam in the state of Andhra Pradesh with a capacity of 5,600 TPA. It also enhanced the production capacity of Hexamine by 2,000 TPA at the Ankleshwar plant, taking the combined Hexamine manufacturing capacity at both plants to 11,600 TPA. The enhanced capacity consolidates KCI's leadership position in India for the product.

Control Room, Vishakhapatnam

## MANAGEMENT DISCUSSION & ANALYSIS

### Financial Performance with respect to Operational Performance

The Financial Year 2011-12 witnessed a major event in the form of divestment of KCI's Chloro Chemicals Division in the month of May 2012. As a result of this divestment, the Company witnessed a sharp decline in its revenue and operating profits. The divestment also had many positives in the form of significant reduction in the debt profile and availability of cash which could be used for diversification in high growth areas.

During the year under review, the Revenue from Operations was at Rs. 2,905 million as compared to Rs. 4,917 million in the previous year. In spite of supply constraints and steep increase in the prices of various inputs coupled with the dumping of Pentaerythritol and Hexamine from European and Middle East countries, the Profit before exceptional and extraordinary items and Tax was at Rs. 135 million as against Rs. 216 million in the previous year which as a percentage to Revenue from Operations marginally increased from 4.39% in the previous year to 4.63% in the year under review.

The divestment of Chloro Chemicals Division resulted in a pre-tax profit of Rs. 3,580 million. As a result, Profit before Tax was significantly higher at Rs. 3,705 million as compared to Rs. 214 million in the previous year. The Net Profit for the year as a result of divestment was also higher at Rs. 3,056 million as compared to Rs. 170 million in the previous year.

The total borrowings (long term, short term and current maturities) reduced from Rs. 3,785 million in the previous year to Rs. 1,255 million in the current financial year.
The Net Worth of the Company increased from Rs. 2,233 million in the previous year to Rs. 5,149 million in the year under review.
The Company's total investments as at the end of financial year 2011-12 were at Rs. 3,475 million.

### Chloro Chemicals Segment

The Company's Chloro Chemicals business was divested to Aditya Birla Chemicals (India) Limited and the transaction was completed in May 2011. Considering that at the time of writing this report, the Chloro Chemicals business of the Company had

already been divested to Aditya Birla Chemicals (India) Limited, commenting on the business is considered inappropriate for KCI.

## Alco Chemicals Segment

### Industry structure and development

The Alco Chemicals Division located at Ankleshwar, Gujarat comprises the production of ethanol from molasses and Formaldehyde from methanol, which is further synthesized into several products for industrial applications. These products include Pentaerythritol, Sodium Formate, Acetaldehyde, Hexamine and others. KCI's new Greenfield project at Vizag increases the Company's production capacity of Formaldehyde and Hexamine.

### Opportunities

- The highly integrated nature of the Division and a continuous vigil on costs ensures a low cost structure and thus makes the products of the Division competitive in both domestic and international markets. Pioneering work in treatment and recycling of distillery effluent and other waste helps the Division in sustaining its environment friendly approach. The Vizag plant supplements the Company's operations and also provides an important sea link from the Vizag and Gangavaram ports located close to the manufacturing facility.
- Market leadership in several products provides a competitive edge in the market.
- The Division is located in close proximity to both sources of raw materials as well as markets for finished products, thus positioning it strongly to cater to steady demand from its user industries such as paints, resins and laminates.

Formaldehyde Plant, Vishakhapatnam

**Threats**

- Cheaper imports and dumping of Pentaerythritol and Hexamine.
- Slow growth of the manufacturing sector could drive down demand.
- Erratic supply of electricity and declaration of 'power holidays' may necessitate self-generation which could increase input costs.
- Erratic price and supply of molasses, the main raw material for the Division, can lead to difficulties in procurement.

**Performance**

- The operations of the Alco Chemicals Division remained stable during the year. Revenue from the sale of Pentaerythritol during 2011-12 was Rs. 662 million compared to Rs. 555 million in the previous year. Production of Formaldehyde also improved with increasing capacity at Vishakhapatnam and revenue accruing from it increased from Rs. 405 million in 2010-11 to 836 million in 2011-12.

**Outlook**

- Market leadership position in several products provides the Division a competitive edge in the market. Expected development of new value added products like Phenol Formaldehyde resins would improve the product mix.
- Anti dumping action on some countries expected to prevent cheaper imports driving down prices.
- Extensive backward and forward integration of products and processes, and the innovative use of waste ensure positive commercial impact.

## CAPACITY EXPANSION DURING THE YEAR

KCI's Greenfield project in Vishakhapatnam for the production of 105,000 TPA of Formaldehyde and 5,600 TPA of Hexamine was commissioned in December 2010, with the Formaldehyde plant starting commercial production. During the year under review, the Hexamine plant also began commercial production. The Hexamine capacity at the Company's Alco Chemicals Division at Ankleshwar in the state of Gujarat was also enhanced by 2,000 TPA. With this, the Company's combined Hexamine manufacturing capacity at both locations has increased to 11,600 TPA.

## INITIATIVES DURING THE YEAR

- Commissioned back pressure turbine at Vizag for utilizing steam generated during production of Formaldehyde.
- Achieved reduction in consumption of energy by optimizing water flow in cooling tower and recycling wash water and steam condensate.
- New R&D Centre established at Ankleshwar for development of new products and the processes

## QUALITY ACCREDITATION AND OHSAS

- Both the manufacturing units of the Company during the year renewed the ISO 9001 certification for quality management systems, the ISO 14001 certification for environment management systems and practices, and OHSAS 18001 certification for organizational health and safety systems.

## SAFETY AND ENVIRONMENT

The safety record of the Company during 2011-12 was maintained and it remained an accident free year at all units.

KCI continued to lay emphasis on its core ethos of sustainable development. Proactive practices in managing and protecting the environment ensured control on wastage and recycling resources remained an integral part of KCI's approach towards environment friendliness.

The Company's highly successful 'Waste to Wealth' programme for treatment and handling of distillery effluents at KCI's Alco Chemicals Division at Ankleshwar demonstrates that such initiatives employ effective technologies and also make such efforts commercially viable. The programme is based on productive utilisation of waste generated from manufacturing processes. The programme has three components, namely Waste to Water, Waste to Energy and Waste to Soil Nutrients.

## RISKS AND CONCERNS

Currently, the Company perceives the following main business risks:

- Threat from imports and consequent pressure on domestic prices.
- Extreme volatility in prices of raw materials and other inputs.
- Insufficient power availability on account of power holidays declared by state government.

## INTERNAL CONTROL SYSTEMS AND ADEQUACY

An adequate system of internal control is in place.

The assets, buildings, plant and machinery, vehicles and stocks of the Company are insured, including for loss of profits.

The key elements of the control system are:

- Clear and well defined organisation structure and limits of financial authority.
- Corporate policies for financial reporting, accounting, information security, investment appraisal and corporate governance.
- Annual budgets and business plan, identifying key risks and opportunities.
- Internal audit for reviewing all aspects of laid down systems and procedures as well as risks and control.
- Risk Management Committee that monitors and reviews all risk and control issues.

## HUMAN RESOURCE AND INDUSTRIAL RELATIONS

The Company adopts good human resource policies and practices to impart excellence, fairness and transparency in all its operations. Each employee is guided by a detailed Code of Conduct that helps the organisation to achieve its goals in an ethical manner.

KCI regularly conducts training programmes for different levels of employees to ensure mapping of job requirement and skills base. During the year, KCI conducted several training programmes and workshops including behavioural and skill development initiatives.

The industrial relations at the Company continue to remain cordial and harmonious with focus on improving productivity, quality and safety.

The number of persons permanently employed by the Company during the year was approximately 344.

**Cautionary Statement**

Statement in this 'Management Discussion and Analysis' describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations.

# New Frontiers

KCI has acquired considerable experience in manufacturing and marketing of chemical intermediates during the last five decades. Over the years, the Company has achieved leadership position in India for the manufacture of inorganic chemicals, namely Caustic Soda and Chlorine derivatives, as well as organic chemicals in the form of alcohol derivatives like Pentaerythritol and Hexamine.

Subsequent to the divestment of the Company's Chloro Chemicals manufacturing facility at Renukoot in the state of Uttar Pradesh, the Company entered into a phase of diversification with the objective of investing in knowledge based high value sectors.

Solar Energy Panels, Phalodi, District Jodhpur, Rajasthan

Renewable energy has been a thrust area in the Company. It has successfully generated electricity directly from biogas under its 'Waste to Wealth' programme at Ankleshwar, and also has wind turbines at Rajkot in the state of Gujarat. In line with its focus on sustainable development, KCI has set up a 5 MW grid-interactive solar power plant using photovoltaic technology at Phalodi in district Jodhpur in the state of Rajasthan. The plant is expected to commence production in the month of June 2012.

MIMOT SMT Line, APAG Elektronik s.r.o., Pardubice, Czech Republic

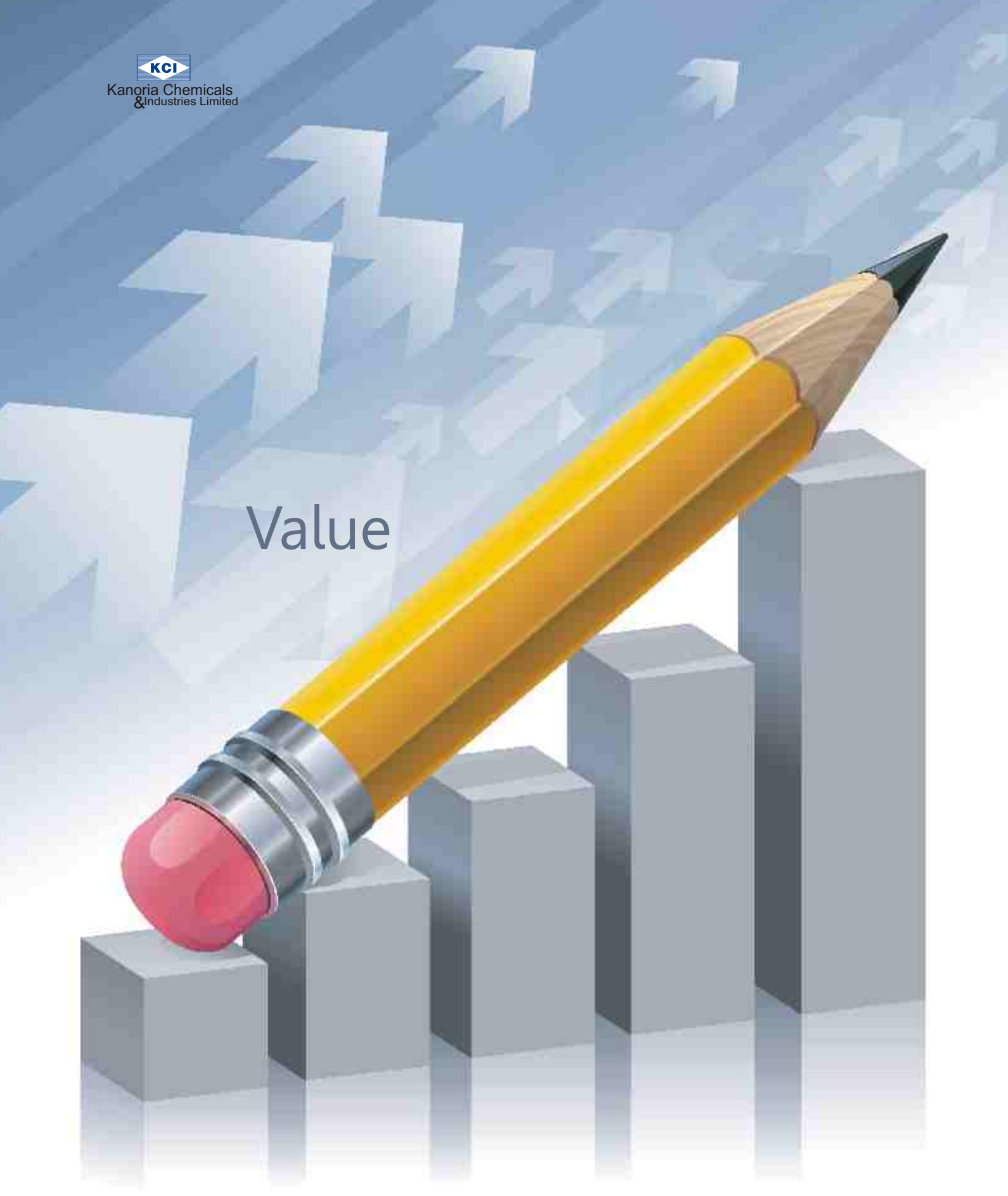
The strategy to diversify into "knowledge based high value sectors", translated in the acquisition of Zurich, Switzerland based APAG Holding AG, and its wholly owned subsidiary APAG Elektronik AG, Switzerland, which is engaged in development and sale of electronic and mechatronic modules and control devices for the automotive, consumer goods, power tool electronics and building automation industries. The designing and engineering facility of the company is located in Switzerland, whereas the manufacturing facility is located in the Czech Republic under the umbrella of a wholly owned subsidiary APAG Elektronik s.r.o. The group enjoys good reputation within its targeted industries, especially automotives and is recognized for its technical capabilities. APAG is well known for its acumen in product designing and engineering, and is a reliable partner to the high end automotive segment in Europe. With fast increasing demand in this segment both in India and the rest of the world, the knowledge base of APAG can be leveraged for future expansion in various geographical segments.

In addition to entering into solar energy and knowledge based design and engineering segments, the third area of the Company's diversification is in the form of a Greenfield textile project in Ethiopia, Africa.

Part of APAG product range

Kanoria Chemicals
&Industries Limited

# Value



# NOTICE TO THE SHAREHOLDERS

**NOTICE** is hereby given that the Fifty Second Annual General Meeting of the Members of **Kanoria Chemicals & Industries Limited** will be held at **Shripati Singhania Hall in Rotary Sadan**, 94/2, Chowringhee Road, Kolkata - 700 020, **on Wednesday, the 8th day of August 2012 at 2.30 P. M.** for the transaction of the following business:

**ORDINARY BUSINESS**

1. To consider and adopt the audited Balance Sheet as at 31st March 2012, the Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare Dividend on Equity Shares for the year ended 31st March 2012.
3. To appoint Directors in place of those retiring by rotation.
4. To appoint Messrs Singhi & Co., Chartered Accountants, the retiring Auditors, as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS**

To consider and, if thought fit, to pass with or without modification(s), the following resolutions:

5. **As a Special Resolution**

"**RESOLVED** that pursuant to Sections 198, 269, 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as "the Act"), including any statutory modification(s) or re-enactment thereof for the time being in force and subject to the approval of the Central Government and other approvals as may be required in this regard, consent of the Company be and is hereby accorded to the re-appointment of Shri R. V. Kanoria as the Managing Director of the Company, for a period of further three years with effect from 10th January 2012, on a remuneration as recommended by the Remuneration and Selection Committee and other terms and conditions as set out in the Agreement dated 11th May 2012, entered into between the Company and Shri R. V. Kanoria, Managing Director, more explicitly set out in the explanatory statement, with liberty to the Board of Directors (hereinafter referred to as the Board which term shall be deemed to include any Committee which the Board may constitute) to alter and vary the terms and conditions of the said appointment and/or remuneration from time to time in such manner as may be agreed to between the Board and Shri R. V. Kanoria, subject to the same being in accordance with the applicable provisions of the Act or any statutory modification(s) or re-enactment thereof."

"**RESOLVED FURTHER** that where in any financial year, during the tenure of office of Shri R. V. Kanoria as Managing Director of the Company, the Company has no profits or its profits are inadequate, the Company will pay him remuneration, in terms of the aforesaid Agreement dated 11th May 2012 entered by the Company with him, as minimum remuneration, subject to the approval of the Central Government and other necessary approvals as may be required in this regard, notwithstanding the limits specified in Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof."

"**RESOLVED FURTHER** that the Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution and all acts done by and with the authority of the Board of Directors of the Company in this matter be and are hereby also confirmed and ratified."

6. **As a Special Resolution**

**"RESOLVED** that pursuant to Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956 (the Act) and subject to the approval of the Central Government, the Company hereby approves and ratifies the payment of remuneration to Shri R. V. Kanoria, Managing Director of the Company, for the period from 1st April 2011 to 9th January 2012, exceeding the limits prescribed under Section 309, read with Schedule XIII to the Companies Act, 1956, by Rs.3,515,533/-, due to inadequacy of profits for the financial year ended 31st March 2012."

**"RESOLVED FURTHER** that subject to the approval of the Central government and pursuant to Section 309(5B) of the Companies Act, 1956, consent of the Company be and is hereby also accorded to waive the recovery of the aforesaid remuneration of Rs. 3,515,533/-, paid to Shri R. V. Kanoria, Managing Director of the Company, for the period from 1st April 2011 to 9th January 2012, exceeding the limit prescribed under Section 309, read with Schedule XIII to the Companies Act, 1956."

**"RESOLVED FURTHER** that the Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be considered necessary, desirable or expedient in the matter and to furnish such information/clarifications/declarations, certificates and other documents/papers as may be required in this regard, to file any e-forms as may be required and to authorize any other person(s) to represent before the Central Government/other authority in this regard."

7. **As a Special Resolution**

**"RESOLVED** that pursuant to Section 314 and other applicable provisions, if any, of the Companies Act, 1956 or any amendment or substitution thereof, consent of the Company be and is hereby given to the holding of office or place of profit as a retainer in the Company w.e.f. 1st April 2012, at a retainership fee of Rs. 20,000/- per month by Shri M. L. Agarwal, a Director in a private limited company of which Shri R. V. Kanoria, Managing Director of the Company is a Member, with the authority to the Board of Directors of the Company to increase the retainership fee annually upto 20% of his last fee."

**Registered Office**
'Park Plaza'
71, Park Street
Kolkata-700 016
11th May 2012

By Order of the Board

N. K. Sethia
Company Secretary

**NOTES**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE AGM MAY APPOINT A PROXY TO ATTEND AND VOTE ON A POLL ON HIS/HER BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxies, in order to be effective, must be received by the Company/Registrar not less than 48 hours before commencement of the Annual General Meeting.

2. Corporate Members are requested to send to the Company/Registrar & Share Transfer Agent, a duly certified copy of the Board Resolution / Power of Attorney authorising their representative to attend and vote at the Annual General Meeting.

3. The Register of Members and Share Transfer Books in respect of Equity Shares of the Company will remain closed from 25th July 2012 to 8th August 2012 (both days inclusive).

4. Members are requested to produce the attendance slip duly signed as per the specimen signature recorded with the Company for admission to the Meeting Hall.

5. Members who hold shares in dematerialised form are requested to furnish their Client ID and DP ID Nos. for easy identification of attendance at the Meeting.

6. Members holding shares in physical form are requested to inform the Company/Registrar & Share Transfer Agent, the changes, if any, in their address or Bank particulars so that the same can be incorporated in the Dividend Warrant and in case their shares are held in dematerialised form, this information should be furnished to their respective Depository Participants immediately.

7. Members who are holding Shares in physical form and desire to avail the facility of Electronic Credit of Dividend are requested to furnish their bank particulars, togetherwith a photocopy of blank cancelled cheque for verification of MICR Code, to the Company or its Registrar & Share Transfer Agent, C. B. Management Services Pvt. Limited. Members holding Shares in electronic form are requested to furnish the said information to their respective Depository Participants.

8. Members, who have not dematerialised their shares as yet, are advised to have their shares dematerialised to avail the benefits of paperless trading as well as easy liquidity as the trading in shares of the Company is under compulsory dematerialised form.

9. Members holding Shares of the Company in physical form through multiple folios are requested to consolidate their shareholding into single folio, by sending their original share certificates along with a request letter to consolidate their shareholding into one single folio, to the Registrar & Share Transfer Agent of the Company.

10. In all correspondence with the Company/Registrar & Share Transfer Agent, Members are requested to quote their Folio Number and in case their shares are held in the dematerialised form, they must quote their DP ID and Client ID Number.

11. Dividend on Equity Shares as recommended by the Board, if declared at the Meeting, will be paid:

    a) to those Members whose names appear in the Register of Members of the Company, after giving effect to all valid share transfers in physical form lodged with the Company on or before 24th July 2012, and

    b) in respect of shares held in electronic form, to those "deemed members" whose names appear on the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) at the end of business hours on 24th July 2012.

12. In accordance with the provisions of Sections 205A and 205C of the Companies Act, 1956, the unclaimed/unpaid dividends relating to year ended 31st March 2004 has been deposited on 24th November 2011 with the Investor Education and Protection Fund established by the Central Government.

13. Pursuant to the provisions of Section 205A(5) and Section 205C of the Companies Act, 1956, unclaimed/unpaid dividend for the following financial years will be deposited by the Company with the Investor Education and Protection Fund (IEPF) as follows:

| Financial Year Ended | Date of declaration of Dividend | Last date for claiming unpaid Dividend | Due date for transfer to IEPF |
|---|---|---|---|
| 31st March 2005 | 28.07.2005 | 29.08.2012 | 28.09.2012 |
| 31st March 2006 | 27.07.2006 | 28.08.2013 | 27.09.2013 |
| 31st March 2007 | 26.07.2007 | 27.08.2014 | 26.09.2014 |
| 31st March 2008 | 24.07.2008 | 25.08.2015 | 24.09.2015 |
| 31st March 2009 | 31.07. 2009 | 31.08.2016 | 30.09.2016 |
| 31st March 2010 | 29.07. 2010 | 30.08.2017 | 29.09.2017 |
| 31st March 2011 | 12.08. 2011 | 12.09.2018 | 12.10.2018 |

Members who have a valid claim to any of the unclaimed/ unpaid dividends for these years are requested to lodge their claim with the Share Department of the Company at its Registered Office. **Members are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts which were unclaimed and unpaid for a period of seven years from the date(s) they first became due for payment.**

14. Members who wish to obtain any information on the Company or the Accounts for the financial year ended 31st March 2012 may send their queries to the Company Secretary at the Registered Office of the Company at least 10 days before the Annual General Meeting.

15. Pursuant to Section 109A of the Companies Act, 1956, Members can make nomination in respect of shares held by them in physical form, in the prescribed Form 2B (in duplicate).

16. Members are requested to bring their copy of the Annual Report to the Meeting.

17. Appointment/Re-appointment of Directors:

    Shri G. Parthasarathy, Shri T. D. Bahety and Shri Amitav Kothari, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

The information and/or details pertaining to these Directors, to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchange(s), are as under:

**Shri G. Parthasarathy**

Shri G. Parthasarathy, aged about 72 years, is a retired Government Officer in Indian Foreign Service. He has graduated with a B.E. Degree in Electrical Engineering from the College of Engineering, Guindy, Madras in 1962. Prior to his entry to the Indian Foreign Service, Shri Parthasarathy was a Commissioned Officer in the Indian Army (1963-1968).

He has served in Indian Missions abroad as Second/First Secretary, Embassy of India, Moscow (1969-1973), Deputy High Commissioner to Tanzania (1974-1976), Counsellor (Political and Press), Embassy of India, Washington D.C., (1978-1981); and Consul General of India, Karachi (1982-1985). He has also served as High Commissioner of India to Cyprus (1990-92), Ambassador of India to Myanmar (1992-95), High Commissioner of India to Australia (1995-98) and High Commissioner of India to Pakistan (1998-2000).

Shri Parthasarathy was Deputy Secretary in the Foreign Secretary's Office (1976-1978) in New Delhi. He has served as Spokesman, Ministry of External Affairs and Information Adviser and Spokesman in the Prime Minister's Office with the then Prime Minister Rajiv Gandhi (1985-90). He has been a member of Indian Delegations in several international conferences including summits at United Nations, Non-Aligned Movement and SAARC.

Shri Parthasarathy is presently Visiting Professor in the Centre for Policy Research in New Delhi. He is also a Senior Fellow of the Centre for Strategic and International Studies and a member of the Executive Committee of the Centre for Air Power Studies in New Delhi. His main areas of interest are developments in India's neighbourhood and issues of economic integration, energy and national security and terrorism. Shri Parthasarathy is a widely read Columnist, writing for a number of newspapers and news agencies in India and abroad on foreign policy and national security issues. He is a member of the Editorial Board of the "Indian Defence Review". He is on the Panel of Experts from India for Track 2 Dialogue with ASEAN. He is also a member of the Indian Delegation to the high level Indo-U.S. Strategic Dialogue organized by the Confederation of Indian Industries and the Aspen Institute in the USA.

Shri G. Parthasarathy joined the KCI Board as an Independent Non-executive Director on 14th May 2003.

He is a member of Nomination Committee and Project Management Committee of the Board of Directors of the Company.

He is also a Director of DLF Promerica Asset Managers Pvt. Limited. He does not hold Committee membership in any other company.

**Shri T. D. Bahety**

Shri T. D. Bahety, aged about 72 years, is currently the Wholetime Director of the Company. He is B.Sc. (Chem.), Jute Technologist and has 54 years of industrial experience.

He has been a Wholetime Director of the Company since 20th May 1998 and is the member of the following Committees of the Board of Directors of the Company:

- Finance Committee
- Shareholders'/Investors' Grievances Committee
- Project Management Committee

He is also a Director of KPL International Limited and Bahety Credit & Investment Pvt. Limited. He does not hold Committee membership in any other company.

He possesses rich knowledge and experience in varied functional areas including Corporate Business, Administration, Commercial and Regulatory matters.

**Shri Amitav Kothari**

Shri Amitav Kothari, aged about 59 years, M. Com., LL.B., FCA, FICA, FBIM (UK), is a practising Chartered Accountant since 1975 and the Managing Partner of Messrs Kothari & Company. He is an expert in the fields of Banking and Financial Services, Tax Planning and Representation, Corporate Laws and Foreign Collaboration.

Presently, besides being a Member of Executive Committees of Federation of Indian Chambers of Commerce (FICCI), Associated Chambers of Commerce & Industry (ASSOCHAM), Bharat Chambers of Commerce, Kolkata and Calcutta Chamber of Commerce, he is also a Life Member of the Indian Council of Arbitration, New Delhi and Fellow of the British Institute of Management. He is on the Panel of Arbitrators of the ICC Council of Arbitration, Kolkata.

Apart from serving on the Board of Directors of Life Insurance Corporation of India and Allahabad Bank as a Government Director in the past, he is on the Board of National Insurance Company Limited and South Eastern Coalfields Limited as a Government nominee. He is also associated as a Director, Member, Advisor etc. with many other reputed Bodies. He is past President of Merchants Chamber of Commerce, Kolkata (1989-90). He was nominated by the Government of India to serve as a Member of the Central Council of the Institute of Chartered Accountants of India (ICAI) during 1998-2001. He has also chaired the Taxation Committee and Corporate Laws Committee of ICAI. He was conferred outstanding Young Person of West Bengal Award by Indian Jaycees in the field of Law and Taxation in 1988. He is also a frequent author of articles on the topics concerning business and economic matters.

Shri Amitav Kothari has joined the KCI Board as an Independent Non-executive Director on 5th May 2009.

He is Chairman of the Audit Committee of the Board of Directors of the Company. He holds the following Committee chairmanship/ membership in other companies:

| Name of the Company | Name of Committee | Position held |
|---|---|---|
| South Eastern Coalfields Limited | Information Technology Committee | Chairman |
| | Audit Committee | Member |
| National Insurance Co. Limited | Audit Committee | Member |
| | Investment Committee | Member |
| Maharaja Shree Umaid Mills Limited | Audit Committee | Member |

In addition to KCI, he is Director of the following companies:

| Name of the Company | Position held |
|---|---|
| National Insurance Co. Limited | Director |
| South Eastern Coalfields Limited | Director |
| Maharaja Shree Umaid Mills Limited | Director |

**Explanatory Statement pursuant to Section 173 of the Companies Act, 1956**

**Re: Item No. 5**

The previous term of Shri R.V. Kanoria as Managing Director of the Company has expired by efflux of time on 9th January 2012.

The Board of Directors of the Company at its meeting held on 7th November 2011, re-appointed Shri R. V. Kanoria as Managing Director of the Company for a further period of three years with effect from 10th January 2012, on the remuneration as recommended by the Remuneration and Selection Committee in its meeting held on 7th November 2011, and other terms and conditions as detailed in the Agreement dated 7th November 2011, entered into by the Company with Shri R. V. Kanoria, the abstract thereof was also circulated to the shareholders under Section 302 of the Companies Act, 1956.

In view of the inadequacy of profits for the financial year ending 31st March 2012, the Remuneration and Selection Committee has in its meeting held on 11th May 2012, considered and made recommendations to the Board of Directors with regard to modification(s) of certain terms in the aforesaid Agreement dated 7th November 2011, relating to payment of minimum remuneration to Shri R. V. Kanoria in any financial year in which the Company has no profits or its profits are inadequate, during his tenure of office as Managing Director of the Company, its consequential effects on other related term(s) and the scale of annual increment.

The Board of Directors at its meeting held on 11th May 2012, considered and, subject to the approvals of the shareholders, the Central Government and other approvals as may be required in this regard, approved the above recommendations of the Remuneration and Selection Committee and incorporated the same into an Agreement dated 11th May 2012 (the Agreement), entered into by the Company with Shri R. V. Kanoria, in modification and substitution of the earlier Agreement entered on 7th November 2011.

The main terms and conditions as set out in the Agreement entered into between the Company and Shri R. V. Kanoria, in modification and substitution of the earlier Agreement dated 7th November 2011 entered with him, are as follows:-

**REMUNERATION**

Shri R.V. Kanoria, in consideration of his services will be entitled to the following by way of remuneration during his tenure of three years effective from 10th January 2012:

**(a) Salary**

Rs. 5, 20,000/- (Rupees five Lakh twenty thousand only) per month. The Board may, at its sole discretion, consider and grant an annual increment upto 25% of the last drawn salary.

**(b) Commission**

At the rate of 2% (Two percent) of net profits of the Company for each financial year, computed in the manner laid down in Sections 198 and 349 of the Companies Act, 1956 and shall be payable on pro-rata basis for any broken period/financial year.

**(c) Perquisites**

Shri R.V. Kanoria will be entitled to the following perquisites in addition to Salary and Commission, restricted to an amount equal to Annual Salary. Unless the context otherwise requires, perquisites are classified into three categories A, B and C as follows:-

**CATEGORY - A**

This will comprise of Residential accommodation or House Rent Allowance, Leave/Holiday Travel, Medical reimbursement, fees of Clubs and Personal Accident Insurance. These may be provided for as under:-

**Housing**

(a) Residential Accommodation or Monthly House Rent Allowance at the rate of 60% of the Salary.

(b) Expenses pertaining to Gas, Electricity, Water will be borne/reimbursed by the Company.

(c) Company shall provide such Furniture, Fixtures and Furnishings as may be approved by the Board of Directors from time to time.

**Medical Reimbursement**

Reimbursement of actual Medical Expenses incurred in India and/or abroad including cost of Travel, Hospitalisation, Nursing Home and Surgical charges for himself and family.

**Leave/ Holiday Travel**

Reimbursement of all the expenses incurred during Leave/Holiday Travel period in respect of himself and family while proceeding on leave/holiday to any place in India or abroad subject to a ceiling of one month's salary per annum. The entitlement in respect of any one year, to the extent not availed of, shall be allowed to be accumulated upto the next two years.

**Club Fees**

Fees of Clubs subject to a maximum of two Clubs. This will not include Admission and Life membership fees.

**Personal Accident Insurance**

Of an amount, the annual premium on which does not exceed Rs. 20,000/.

**CATEGORY-B**

**Contribution to Provident Fund, Superannuation Fund and Annuity Fund**

Company's contribution to Provident Fund and Superannuation or Annuity Fund not exceeding in aggregate 30% of salary. These will not to be included in computation of the ceiling on perquisites to the extent these singally or put together are not taxable under Income Tax Act, 1961.

**Gratuity**

Gratuity at the rate of half month's salary for each completed year of service. This will not be included in the computation of the ceiling on perquisites.

**Leave**

Leave with full pay or encashment thereof as per rules of the Company. Encashment of leave at the end of tenure will not be included in the computation of the ceiling on perquisites.

**CATEGORY-C**

**(a) Conveyance facilities**

The Company shall provide suitable conveyance facilities as may be required by the Managing Director.

**(b) Communication facilities**

The Company shall provide telephone, telefax and other communication facilities at the Managing Director's residence as may be required.

**Other Perquisites**

Subject to the overall ceiling on remuneration as mentioned hereinabove, the Managing Director may be given other allowances, benefits and perquisites as the Board of Directors may, from time to time, decide.

Perquisites shall be evaluated as per Income Tax Rules, 1962, wherever applicable and in the absence of any such rules, perquisites shall be valued at actual cost.

**Minimum Remuneration**

Where in any financial year, during the currency of tenure of office of Shri R. V. Kanoria as Managing Director of the Company, the Company has no profits or its profits are inadequate, the Company will pay him the above remuneration as minimum remuneration, subject to approval of the shareholders of the Company and the Central Government and other necessary approvals as may be required in this regard, notwithstanding the limits specified in Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.

**General**

Shri R. V. Kanoria will be entitled to reimbursement of entertainment expenses actually and properly incurred in the course of legitimate business of the Company.

Shri R.V.Kanoria shall not, so long as he acts as the Managing Director of the Company, be paid any sitting fees for attending any meetings of the Board or any Committee thereof.

Shri R. V. Kanoria as Managing Director shall not be subject to retirement by rotation. But he shall ipso facto and immediately cease to be the Managing Director if he ceases to hold the office of Director for any cause.

**Inspection of Documents**

The Agreement entered on 11th May 2012 as well as the Agreement entered on 7th November 2011 between the Company and Shri R.V. Kanoria are available for inspection by the Members of the Company at its Registered Office on any working day between 11.00 A.M. and 1.00 P.M. till the date of the Annual General Meeting and will also be available at the Annual General Meeting.

**Memorandum of Interest**

The appointment and remuneration of Shri R.V. Kanoria, fixed in accordance with the applicable provisions of the Companies Act, 1956 is subject to approvals of the shareholders and the Central Government. Hence, the Special Resolution set out in Item No. 5 of the Notice is placed for your approval. Your Directors recommend passing of the said resolution in the interest of the Company.

Except Shri R.V. Kanoria none of the other Directors of the Company is in any way concerned or interested in the said resolution.

This explanation together with the proposed resolution is and should be treated as an abstract under Section 302 of the Companies Act, 1956.

**In terms of Schedule XIII to the Companies Act, 1956, the following information is given to the Shareholders**

## I. General Information

1) Nature of Industry — Manufacturer of Chemicals

2) Date of commencement of Commercial Production — 1965

3) Financial Performance

**(Rs. in Lakh)**

| Year ending 31st March | Sales | Operating Profit | Profit before Tax | Profit after Tax |
|---|---|---|---|---|
| 2012 | 28,782 | 4,276 | 37,049 | 30,562 |
| 2011 | 48,522 | 8,589 | 2,144 | 1,698 |
| 2010 | 42,118 | 8,767 | 3,879 | 2,798 |
| 2009 | 49,180 | 11,496 | 2,288 | 1,460 |
| 2008 | 43,223 | 9,643 | 3,952 | 3,050 |

4) Export Performance — Export for the year 2011-12 was Rs. 1,455 Lakh.

5) Foreign Investments or Collaborators — There are 156 Multilateral FI/FII/Foreign Nationals/ NRI/OCBs Shareholders holding 9,227,773 Equity Shares of the Company. The Company does not have any foreign Collaborator.

## II. Information about the appointee

1) Background Details

Shri R.V. Kanoria is an eminent industrialist in the Country. He is an MBA (Hons) from IMD Lausanne, Switzerland and an alumnus of The Wharton School of Business, USA (from where he completed an advanced management programme in 1998). He has 38 years of commercial and industrial experience. He has occupied several positions in various industries associations such as Chairman of Indian jute Mills Association, Chairman of Indian Cotton Mills Federation.

Presently he is the President of the Federation of Indian Chambers of Commerce and Industry (FICCI) and Member of the Managing Committee of PHD Chamber of Commerce & Industry. He is on the Board of Directors of various Companies viz. J. K. Paper Limited, Ludlow Jute & Specialities Limited. Cholamandalam Investment and Finance Company Limited, KPL International Limited, R. V. Investment & Dealers Limited, Kirtivardhan Finvest Services Limited, National Skill Development Corporation, APAG Holding AG, switzerland and APAG Elektronik AG, switzerland.

2) Past Remuneration

**(Rs. in Lakh)**

| Year | Salary, Perquisites etc. | Commission | Total |
|---|---|---|---|
| 2011-12 | 102.05 | - | 102.05 |
| 2010-11 | 86.27 | 18.97 | 105.24 |
| 2009-10 | 79.48 | 81.23 | 160.71 |
| 2008-09 | 62.69 | 49.04 | 111.73 |
| 2007-08 | 55.56 | 83.85 | 139.41 |

| | |
|---|---|
| 3) Job profile and his suitability | Shri R.V. Kanoria devotes whole time attention to the management of the affairs of the Company and exercises powers subject to the superintendence, direction and control of the Board of Directors. He is responsible for the day-to-day management of the Company and carries out duties as entrusted to him from time to time by the Board of Directors. |
| 4) Remuneration Proposed | Salary @ Rs 5,20,000/- p.m. with liberty to the Board to consider annual increment of up to 25% of the last drawn salary along with Commission @ 2% of the net profits computed in the manner laid down under Sections 198 and 349 of the Companies Act, 1956, and other perquisites, as spelt out in the explanatory statement, hereinabove. |
| 5) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person. | The remuneration proposed is in consonance with similar position in the industry. |
| 6) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any. | Except the remuneration to be received from the Company and to receive dividend declared, Shri R.V. Kanoria does not have any pecuniary relationship directly or indirectly with the Company or relationship with any managerial personnel of the Company. |
| **III Other Information** | |
| 1) Reasons of Inadequacy of Profits | During the year under review, the Company divested the Chloro Chemical business, its major business segment on 23rd May 2011. The supply constraints and steep increase in the prices of various inputs coupled with the dumping of Pentaerythritol and Hexamine from European and Middle East countries led to inadequate profit for the year, for the purpose of payment of managerial remuneration despite a considerable profit on the sale of the Chloro Chemicals division. |
| 2) Steps taken or proposed to be taken for improvement | After the divestment of its Chloro Chemical business, the Company has adequate surplus and been investing in other businesses and is exploring other business opportunities, including diversifying in new product lines. Further, the Company is also taking initiatives for the application of anti dumping measures on its products to enhance its profitability in the coming years. |
| 3) Expected increase in productivity and profits in measurable terms | As a result of the steps being taken by the Company, as explained above, it expects to have improved operational performance in the coming years. The ultimate outcome, however, will depend upon several factors which may be beyond the control of the Management. |

**Re: Item No. 6**

Shri R. V. Kanoria's previous appointment as the Managing Director of the Company expired by efflux of time on 9th January 2012. The Board of Directors has in its meeting held on 7th November 2011, re-appointed him as the Managing Director of the Company for a further period of three years w.e.f. 10th January 2012, subject to necessary approvals.

The Company had been regularly achieving high turnover levels in the past and always had adequate profits for payment of managerial remuneration within the limits as provided in the Companies Act, 1956. However, it may be noted that the Company divested the Chloro Chemical business, its major business segment, during the year 2011-12 on 23rd May 2011. The supply constraints and steep increase in the prices of various inputs coupled with the dumping of Pentaerythritol and Hexamine from European and Middle East countries led to inadequate profit for the year, for the purpose of payment of managerial remuneration despite a considerable profit on the sale of the Chloro Chemicals division.

Due to reasons explained above, the remuneration paid to Shri R. V. Kanoria for the period from 1st April 2011 to 9th January 2012, though as per the earlier approval of the shareholders of the Company, exceeded the limits prescribed under Section 309, read with Schedule XIII of the Companies Act, 1956. The excess remuneration paid to him for the aforesaid period amounts to Rs.3, 515,533/-.

The vision and foresightedness of Shri R. V. Kanoria has been the guiding factor for the growth and development of the Company. His transparent and tireless efforts are of immense value to the further growth of the Company. Considering the valuable services being provided to the Company by him, the Remuneration and Selection Committee in its meeting held on 11th May 2012, considered and ratified such excess remuneration paid to Shri R. V. Kanoria and recommended the Board of Directors to approve the excess payment of remuneration to him and waive its recovery by the Company, subject to necessary approvals in this regard.

The Board of Directors in its meeting held on 11th May 2012, on the recommendations of the Remuneration and Selection Committee ratified and approved the excess remuneration paid to Shri R. V. Kanoria for the period from 1st April 2011 to 9th January 2012, and also waived its recovery, subject to the approvals of the shareholders of the Company and the Central Government under Section 309 (5B) of the Companies Act, 1956.

Hence, the Special Resolution set out in Item No. 6 of the Notice is placed for your approval. The Board recommends the passing of the resolution.

Except Shri R. V. Kanoria, none of the other Directors of the Company is concerned or interested in the resolution.

**Re: Item No. 7**

Shri M. L. Agarwal was earlier appointed by the Board of Directors as a retainer in the Company w.e.f. 1st June 2011. He is a Director of Intrust Global eServices Private Limited, of which Shri R.V. Kanoria, a Director of the Company, is a Member. The Board of Directors in its meeting held on 11th May 2012 has, subject to the approval of the shareholders, increased his retainership fee to Rs. 20,000/- per month w.e.f. 1st April 2012, with the authority to the Board to increase the retainership fee annually upto 20% of his last fee. As he is holding directorship in a private limited company, in which a Director of the Company is a member, and also receiving a remuneration exceeding the threshold limit, it is deemed as holding of office or place of profit in the Company, requiring approval of the shareholders of the Company under Section 314 of the Companies Act, 1956. Hence, the Special Resolution set out as Item No. 7 of the Notice is placed before the Meeting for your approval.

Except Shri R. V. Kanoria, none of the Directors of the Company may be deemed to be interested in the said resolution.

**Registered Office**
'Park Plaza'
71, Park Street
Kolkata-700 016
11th May 2012

By Order of the Board

N. K. Sethia
Company Secretary

## Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including annual report to its members can be done by sending the same by e-mail.

To support this Green Initiative of the Government, Members who have not registered their e-mail address so far, are requested to register their e-mail address with the Depository through their respective Depository Participants in respect of their electronic holdings. Members who hold shares in physical form are requested to furnish their e-mail address to the Company or its Registrar & Transfer Agent, C. B. Management Services Pvt. Limited. Members are also requested to update/intimate changes in their e-mail address from time to time.

# DIRECTORS' REPORT

## TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the fifty second Annual Report along with the Audited Accounts of the Company for the year ended 31st March 2012.

The detailed information on the performance of your Company appears in the Annual Report. A discussion on the operations of the Company is given in the section titled Year in Review. Some of the statutory disclosures, however, appear in this Report. Read along with the other sections, this would provide a comprehensive overview of the Company's performance and plans.

## FINANCIAL RESULTS

The financial performance of the Company for the year ended 31st March 2012 is summarised below:

(Rs. in million)

| | 2011-12 | 2010-11 |
|---|---|---|
| Profit before Depreciation and Amortisation, Finance Costs, Exceptional Items and Tax Expenses | 427.59 | 858.94 |
| Less: Finance Costs | 136.01 | 232.65 |
| Depreciation and Amortisation | 157.03 | 410.33 |
| **Profit before Exceptional Items and Tax** | 134.55 | 215.96 |
| Add: Exceptional Items | 3,570.37 | (1.56) |
| **Profit before Tax** | **3,704.92** | **214.40** |
| Add: Taxation For earlier year | 0.02 | - |
| Less: Current Tax | 1,055.53 | 42.29 |
| Deferred Tax | (347.90) | 2.32 |
| Add: MAT Credit Entitlement | 58.90 | - |
| **Profit for the year** | **3,056.21** | **169.79** |
| Add: Balance in Profit & Loss Account | 91.51 | 268.41 |
| | 3,147.72 | 438.20 |
| **Less: Appropriations** | | |
| Transfer to General Reserve | 1,500.00 | 20.00 |
| Proposed Dividend on Equity Shares | 84.44 | 281.48 |
| Provision for Dividend Tax | 13.70 | 45.21 |
| | 1,598.14 | 346.69 |
| **Closing Balance** | **1,549.58** | **91.51** |

## OVERVIEW

As already mentioned in the last year's report, the Company divested its Chloro Chemicals business. The transaction was completed in the month of May 2011. The Company is in the process of developing new businesses.

During the year, the Company successfully commissioned 5,600 TPA Hexamine plant at Vishakhapatnam in the state of Andhra Pradesh, and enhanced the Hexamine capacity at Ankleshwar by 2,000 TPA. With this, the Company's combined Hexamine manufacturing capacity at both locations has increased to 11,600 TPA.

The Company's is setting up a 5 MW Solar Power Project in Jodhpur District in the state of Rajasthan. The Project is expected to be commissioned in June 2012.

The Company has acquired 90% stake in APAG Holding AG, Switzerland on 2nd May 2012, at a purchase consideration of CHF 6.39 million. As per the terms of the Share and Loan Purchase Agreement (SLPA), entered in this regard on 20th April 2012, as amended vide Addendum Letter dated 30th April 2012, the Company will be acquiring the balance 10% stake by 30th June 2014, on the basis of a pre fixed formula set out in the SLPA.

APAG Holding AG, through its wholly owned subsidiary, APAG Elektronik AG, Switzerland, is engaged in development and sale of electronic and mechatronic modules and control devices for the automotive, consumer goods, power tool electronics and building automation industries. The designing and engineering facility of the company is located in Switzerland, whereas the manufacturing facility is located in the Czech Republic under a wholly owned subsidiary APAG Electronik s.r.o.

The Company is in the process of setting up a textile manufacturing unit in Ethiopia which is targeted to be completed by the end of 2013.

## DIVIDEND

The Board of Directors recommends, for consideration of shareholders at the Annual General Meeting, a Dividend @ 30 % (Rs. 1.50 per share) on Equity Shares of Rs.5/- each for the year ended 31st March 2012.

## FOREIGN CURRENCY CONVERTIBLE BONDS

The Company has redeemed the entire outstanding optionally convertible FCCBs of US$ 20 million on 7th June 2011, as per the terms of its issue.

## CREDIT RATINGS

The Company has been assigned CARE A1+ (A One Plus) rating for short term facilities by Credit Analysis & Research Limited (CARE). This is their highest rating for short term debt obligations and it signifies strong degree of safety for timely payment of financial obligations and carries lowest credit risk.

CARE has also assigned CARE AA- (Double A Minus) rating to the Company for long term facilities. This rating signifies high degree of safety for timely servicing of the financial obligations and carries low credit risk.

## FIXED DEPOSITS

The Company has neither accepted nor renewed any Fixed Deposits from the public during the year and as on 31st March 2012, there were no outstanding deposits.

## CONSOLIDATED ACCOUNTS

As per the Listing Agreement with the Stock Exchanges, Consolidated Financial Statements have been annexed with the Financial Results of the Company.

## DIRECTORS

Shri J. P. Sonthalia ceased to be Managing Director (Designate) - Chloro Chemicals with effect from the end of business hours on 16th August 2011. However, he continues to be a Director of the Company.

Shri G. Parthasarathy, Shri T. D. Bahety and Shri Amitav Kothari, Directors of the Company retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

Brief resumes of the above Directors, names of other companies in which they hold directorship, chairmanship and/or membership of Committees of the Boards are given in the Notice to the Shareholders and their shareholdings in the Company are given in the Section on Corporate Governance.

None of the Directors of the Company is disqualified for being appointed as Director, as specified in Section 274 (1) (g) of the Companies Act, 1956.

## AUDIT COMMITTEE

The Audit Committee consists wholly of Independent Directors having requisite knowledge and expertise in finance, accounts and corporate laws. The terms of reference of this Committee encompass the whole of the provisions contained in the SEBI Code as well as Section 292A of the Companies Act, 1956. The Committee is chaired by Shri Amitav Kothari and includes Shri B. D. Sureka and Shri H. K. Khaitan as its members.

## CORPORATE GOVERNANCE

Good governance practices are ingrained in the business ethos of KCI. Corporate Governance at KCI extends to all stakeholders and is embodied in every business decision. The Company places prime importance on reliable financial information, integrity, transparency, empowerment and compliance with the law in letter and spirit. The Management certifies its adherence to the Listing Agreement with the Stock Exchanges. While Management Discussion and Analysis that is an annexure to the Directors' Report, appears in the Section titled Year in Review in the Annual Report, the Corporate Governance Report and the Certificate from the Auditors of the Company confirming compliance of the conditions of Corporate Governance are annexed hereto and form a part of the Directors' Report.

There is a conscious effort to ensure that the values enshrined in the Codes of Conduct for the Board of Directors and employees respectively, are followed in true spirit across all levels of the Company.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

As required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the statements containing necessary information in respect of conservation of energy, technology absorption, foreign exchange earnings and outgo are annexed hereto and form a part of the Directors' Report.

## SAFETY AND ENVIRONMENT

The Company is committed to sustainable development and a safe workplace. Its approach to environment management is guided by the principle of provision of safe working environment through continuous up-gradation of technologies, prevention of pollution and conservation of resources and recycling waste. The Company's highly successful 'Waste to Wealth' programme at its Alco Chemicals Division at Ankleshwar, which includes extraction of water from distillery effluent, generation of power directly from biogas and manufacture of bio-compost, is a case in point to the proactive approach of the Company in waste management.

As a result of its sustained compliance to Health, Safety, Environment and Quality standards, the Company's Alco Chemical Division at Ankleshwar and Vizag are recertified under OHSAS 18001 (Occupational Health & Safety Assessment Series).

The Company has a documented Health & Safety Policy that is displayed and communicated to all employees at plant locations. With the view to achieve a 'Zero Accidents' status, the Company has developed health and safety procedures as well as safety targets and objectives.

The Company also lays thrust on renewable energy sources such as bio-power, wind power and solar energy.

## HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS

The human resource development initiatives of the Company are guided by a strong set of values and policies and the spirit of trust, transparency and dignity has contributed to its continuous growth. The Company's commitment to building meaningful employee engagement has resulted in significant enhancement in quality and productivity. The Company continues to provide ongoing training to its employees at different levels.

Industrial relations with the employees and workers across all locations of the Company continued to be cordial during the year.

As required under Section 217(2A) of the Companies Act, 1956 and the rules framed thereunder, the names and other particulars of employees receiving remuneration above prescribed threshold are set out in the annexure appended to this Report.

## SOCIAL CONTRIBUTION

Social welfare and community development are important components of KCI's Corporate Social Responsibility philosophy and continues to form a part of its larger social commitment.

## SUBSIDIARY COMPANY

In compliance of the conditions of the Ministry of Corporate Affairs' General Circular no. 2/2011 dated 8th February 2011, granting general exemption from attaching the documents of its subsidiaries, as specified under Section 212 of the Companies Act, 1956, with its Balance Sheet, the Company is not attaching the said documents with relation to Pipri Limited, the subsidiary of the Company, with its Balance Sheet. However, the said documents of the subsidiary are available for inspection by the members at the Registered Offices of the Company and Pipri Limited. The members of the Company interested in obtaining the said documents may write to the Company Secretary at the Registered Office of the Company.

On acquisition of 90% stake in APAG Holding AG, Switzerland by the Company on 2nd May 2012, it has become a subsidiary of the Company from that date and, consequently, APAG Elektronik AG, Switzerland, the wholly owned subsidiary of APAG Holding AG has become a subsidiary of the Company from that date. APAG Elektronik s.r.o., the wholly owned subsidiary of APAG Elektronik AG has also become a fellow subsidiary of the Company from that date.

## AUDITORS

Messrs Singhi & Co., Chartered Accountants, Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. With regard to comments in the Auditor's Report, the Notes on Accounts referred to in the Auditor's Report are self-explanatory and therefore does not call for any further comments.

## COST AUDITORS

The Central Government has approved the appointment of the following Cost Auditors for conducting cost audit for the financial year 2011-12:

1) For the Chemical Products - M/s. N. D. Birla & Co., Cost Accountants, Ahmedabad and M/s. Prasad & Co., Cost Accountants, Kolkata.
2) For Industrial Alcohol - M/s N. D. Birla & Co., Cost Accountants, Ahmedabad.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby confirms:

i) That in the preparation of the annual accounts, all the applicable accounting standards have been followed.

ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year ended 31st March 2012.

iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv) That the Directors have prepared the annual accounts on a going concern basis.

## ACKNOWLEDGEMENTS

Your Directors acknowledge with gratitude the commitment and dedication of the employees for their untiring personal efforts as well as their collective contributions at all levels that have led to the growth and success of the Company. The Directors would like to thank other stakeholders including lenders and business associates who have continued to provide support and encouragement.

For and on behalf of the Board

R.V. Kanoria
Chairman & Managing Director

**Registered Office**
'Park Plaza'
71, Park Street
Kolkata - 700 016
Dated, the 11th day of May 2012

# ANNEXURE TO THE DIRECTORS' REPORT

**Information as per Section 217 (1) (e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March 2012.**

## A. CONSERVATION OF ENERGY

**Measures taken, additional investments and impact of the measures**

The Company continues its initiatives to reduce energy consumption as follows:

- Replacement of Vaporizer in Formaldehyde plant to increase steam recovery
- Replacement of Back Pressure Turbine with advanced efficient Turbine
- Installation of VFDs to optimize the power consumption in various sections
- Installation of steam turbine unit at the outlet of plant steam for power generation Average of 90 KW per hour
- Installation of Auto Control Valve for the Hexamine reactor temperature control to optimize the power consumption in the cooling water pump.
- Power saving with incorporating Auto cutoff of Air vent in N2 plant.
- Total Plant lighting taken in Auto for power saving.
- During plant stoppage without air compressor FD loading running in Auto by providing Zero Air by cylinders for control valves.
- Started using Ramky's incoming water pressure and stopped using raw water pump for utilities

**Total energy consumption and energy consumption per unit of production as per form 'A' for disclosure of particulars with respect to Conservation of Energy is given below:**

**Power and Fuel Consumption**

| | | 2011-12 | 2010-11 |
|---|---|---|---|
| **Electricity** | | | |
| i) a) Purchased (includes inter unit transfer) | | | |
| Unit (thousand KWH) | | 44,480 | 235,742 |
| Total Amount (Rs. million) | | 202.87 | 1,107.03 |
| Rate/Unit (Rs.) | | 4.56 | 4.70 |
| b) Own Generation | | | |
| Through Diesel Generator | | | |
| Units (thousand KWH) | | 61 | 78 |
| Units per litre of Diesel Oil | | 2.75 | 3.04 |
| Cost/Unit (Rs.) | | 16.67 | 9.26 |
| ii) Power Generation Division | | | |
| Through steam turbine/generator | | | |
| Units (thousand KWH) (Net) | | 50,144 | 329,994 |
| Cost/Unit (Rs.) (Coal & Fuel oil) | | 1.93 | 1.73 |
| iii) Other Internal Generation | | | |
| Units (thousand KWH) | | 17,713 | 18,761 |
| Cost/Unit (Rs.) | | 5.46 | 4.50 |
| **Coal** | | | |
| i) Coal (used for generation of steam in boilers) | | | |
| Quantity (M.T.) | | 2,672 | 18,358 |
| Total Amount (Rs. million) | | 4.42 | 25.84 |
| Average Rate/M.T. (Rs.) | | 1,654.19 | 1,407.56 |
| ii) Coal (used for generation of Electricity) | | | |
| Quantity (M.T.) | | 51,127 | 341,529 |
| Total Amount (Rs. million) | | 96.27 | 562.73 |
| Average Rate/M.T.(Rs.) | | 1,882.96 | 1,647.68 |
| **Furnace Oil** | | | |
| Quantity (Litres) | | 6,866 | 42,518 |
| Total Cost (Rs. million) | | 0.27 | 1.06 |
| Average Rate/Ltr. (Rs.) | | 39.32 | 24.93 |
| **Diesel Oil** | | | |
| Quantity (Litres) | | 36,796 | 255,872 |
| Total Cost (Rs. million) | | 1.51 | 8.75 |
| Average Rate/Ltr. (Rs.) | | 41.04 | 34.20 |
| **Natural Gas** | | | |
| Quantity (thousand $SM^3$) | | 11,521 | 12,098 |
| Total Cost (Rs. million) | | 236.93 | 193.01 |
| Cost/Unit (Rs.) | | 20.57 | 15.95 |
| **Consumption per unit of production** | | | |
| Electricity (KWH) | | | |
| Pentaerythritol | M.T. | 951 | 1,037 |
| Industrial Alcohol | K.L. | 314 | 311 |
| Caustic Soda | M.T. | 2,695 | 2,833 |

## B. TECHNOLOGY ABSORPTION

Efforts made in Technology Absorption as per Form 'B' are given below:

**1. Research & Development (R & D)**

a) Specific areas in which efforts are being made:

- The Company has carried out R&D work for development of Pentaerythritol derivatives.

b) Benefits derived as a result of above efforts:

- Developed some of Pentaerythritol derivatives

c) Future plan of action:

- Quality approval from customer end is in process

d) Expenditure on R & D:

| | | |
|---|---|---|
| i. | Capital | Rs. 22.80 million |
| ii. | Recurring | Rs. 5.43 million |
| iii. | Total | Rs. 28.23 million |
| iv. | % of Total turnover | 0.98% |

**2. Technology absorption, adaptation and innovation**

a) Efforts made:- NIL

b) Benefits derived as a result of the above efforts: NIL

c) Technology imported during the last five years :

| Technology Imported | Year of Import | Has the Technology been fully absorbed | If not fully absorbed, areas where this has not taken place, reasons thereof and plans of action |
|---|---|---|---|
| Formox AB of Sweden (Formaldehyde Process Technology) | 2008-09 | Yes | Not Applicable |

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Export activities:

During the year, the Company has exported Caustic Soda Flakes, Liquid Chlorine, Stable Bleaching Powder, Aluminium Chloride, Chlorinated Paraffin, Di-Pentaerythritol, Formalin (Formaldehyde) and Hexamine to various countries including Australia, Brazil, Dubai, Germany, Indonesia, Iran, Italy, Israel, Kenya, Korea, Kuwait, Malaysia, Myanmar, Mexico, Nepal, Netherlands, Pakistan, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey, USA, Uganda and Vietnam. Efforts are being made to step up exports.

b) Total foreign exchange used and earned:

| | |
|---|---|
| Used | Rs. 748.90 million |
| Earned | Rs. 145.50 million |

For and on behalf of the Board

R.V. Kanoria
Chairman & Managing Director

**Registered Office**
'Park Plaza'
71, Park Street
Kolkata - 700 016
Dated, the 11th day of May 2012

# ANNEXURE TO THE DIRECTORS' REPORT

## Particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956, forming part of the Directors' Report for the year ended 31st March 2012.

| Name | Designation | Remuneration (Rs.) | Qualification(s) | Age (Years) | Experience (Years) | Date of joining | Last Employment |
|---|---|---|---|---|---|---|---|
| Kanoria R.V. | Chairman & Managing Director | 10,204,742 | B.Sc., MBA (Hons) | 57 | 38 | 10.01.1983 | - |
| Sonthalia J. P.* | Managing Director (Designate) – Chloro Chemicals | 3,771,011 | B. Tech. Chemical Engineering, MBA | 67 | 44 | 01.02.2007 | P T Tirta Bahagia Ltd., Indonesia - CEO |

* Ceased to be Managing Director (Designate) Chloro Chemicals with effect from the end of business hours on 16th August 2011.

**Notes :**

1. Remuneration includes Salary, House Rent Allowance, Company's contribution to Provident Fund, Leave Travel Assistance, Medical, Leave Encashment, Notice Pay and other facilities, as applicable.
2. All appointments are contractual.
3. None of the above employees is a relative of any Director of the Company.
4. None of the above employees holds more than 2% of Paid up Capital of the Company.

For and on behalf of the Board

R.V. Kanoria
Chairman & Managing Director

**Registered Office**
'Park Plaza'
71, Park Street
Kolkata - 700 016
Dated, the 11th day of May 2012

# REPORT ON CORPORATE GOVERNANCE

## INTRODUCTION

Your Company has complied with the provisions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges.

A report on the implementation of Corporate Governance by the Company as per the Listing Agreement is given below.

## COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is commitment to values and integrity in directing the affairs of the Company. It is an integral part of the Company's strategic management. Its basic tenets - adherence to ethical business practices; delegation; responsibility and accountability; honesty and transparency in the functioning of management and the Board; true, complete and timely disclosures; and compliance of law, ultimately result in maximising shareholders value and in protecting the interests of stakeholders.

The Company is committed to and always strives for excellence through adoption of and adherence to good corporate governance in the true spirit.

The Company is guided by a well-balanced Board comprising Directors, who are all outstanding professionals of eminence and integrity. Strategic management by a professional Board is the focal point of the Company's Corporate Governance philosophy and practice.

A core group of top-level executives further strengthens and reinforces the foundation of Corporate Governance in the Company. Competent professionals across the organisation have put in place the best in terms of systems, processes, procedures and technologies.

## BOARD OF DIRECTORS

**Composition**

The Board as on 31st March 2012 consisted of ten Directors including eight Non-executive out of which seven are Independent Directors. Shri R.V. Kanoria, B.Sc., MBA (Hons.), representing the promoters is holding executive position and is designated as the Chairman & Managing Director of the Company. He has 38 years of commercial and industrial experience. Shri T.D. Bahety, B.Sc., Chem (Hons), Jute Technologist, having 54 years of industrial and administrative experience, is the Wholetime Director of the Company. Shri J. P. Sonthalia ceased to be Managing Director (Designate) - Chloro Chemicals with effect from the end of business hours on 16th August 2011. However, he continues to be a Director of the Company.

During the year under review, the Board met five times; on 16th April 2011, 28th May 2011, 12th August 2011, 7th November 2011 and 11th February 2012.

The constitution of the Board during the year ended 31st March 2012 and attendance at the Board Meetings, last Annual General Meeting and the Directorship, Chairmanship and/or Membership of Committees held as on 31st March 2012 by each Director in other companies are as under:

| Name of Director | Attendance at | | Category of Directors | Other Directorship[1] | Other Committee Chairmanship[2] | Other Committee Membership[2] |
|---|---|---|---|---|---|---|
| | Board Meetings | Last AGM | | | | |
| Shri R.V. Kanoria | 5 | Yes | Promoter - Chairman & Managing Director | 7 | 1 | 1 |
| Shri Amitav Kothari | 5 | Yes | Independent Director | 3 | - | 3 |
| Shri H.K. Khaitan | 4 | Yes | Independent Director | 4 | 2 | - |
| Shri Ravinder Nath | 5 | Yes | Independent Director | 3 | 1 | 1 |
| Shri G. Parthasarathy | 4 | Yes | Independent Director | - | - | - |
| Prof. S.L. Rao | 4 | No | Independent Director | 5 | 3 | 3 |
| Shri B.D. Sureka | 1 | No | Independent Director | 4 | - | - |
| Shri A. Vellayan | 1 | No | Independent Director | 6 | 1 | 1 |
| Shri J. P. Sonthalia[3] | 2 | Yes | Non-executive Director | 3 | - | - |
| Shri T.D. Bahety | 5 | Yes | Executive Director | 1 | - | - |

1. This excludes Directorship held in Indian Private Limited Companies, Foreign Companies, Companies under Section 25 of the Companies Act, 1956 and Membership of various Chambers of Commerce and Non-Corporate Organisations.
2. Committee includes Audit Committee and Shareholders'/Investors' Grievance Committee
3. Ceased to be Managing Director (Designate) Chloro Chemicals with effect from the end of business hours on 16th August 2011.

**Notes**

a) None of the Directors is related to any other Director.

b) None of the Directors has any business relationship with the Company.

c) None of the Directors received any loans and advances from the Company during the year.

d) None of the Directors holds Directorships in more than 15 Indian Public Limited Companies and is Member of more than 10 Committees or Chairman of more than 5 Committees (as specified in Clause 49).

e) All the Directors have certified that the disqualifications mentioned under Section 274(1)(g) of the Companies Act, 1956 do not apply to them.

**Responsibilities**

The Board's prime concentration is on strategy, policy and control, delegation of power and specifying approvals that remain in the Board's domain besides review of corporate performance and reporting to shareholders. The Board and Management's roles are clearly demarcated.

The Management is required to:

a) provide necessary inputs and basis to assist the Board in its decision making process in respect of the Company's strategies, policies, performance targets and code of conduct;

b) manage day-to-day affairs of the Company to achieve targets and goals set by the Board in the best possible manner;

c) implement all policies and the code of conduct as approved by the Board;

d) provide timely, accurate, substantive and material information, including on all financial matters and any exceptions, to the Board and/or its Committees;

e) ensure strict compliance with all applicable laws and regulations; and

f) implement sound and effective internal control systems.

The management and the conduct of the affairs of the Company lie with the Managing Director (De-facto the Chief Executive Officer) who heads the management team. The Wholetime Director(s) {De-facto the Chief Operating Officer(s)} is/are entrusted with the task of ensuring that the management functions are executed professionally and is/are accountable to the Board for his/their actions and results.

**Role of Independent Directors**

The Independent Directors play an important role in deliberations and decision-making at the Board Meetings and bring to the Company wide experiences in their respective fields. They also contribute in significant measure to Board Committees. Their independent role vis-à-vis the Company means that they have a special contribution to make in situations where they add a broader perspective by ensuring that the interests of all stakeholders are kept in acceptable balance and in providing an objective view in instances where a (potential) conflict of interests may arise between stakeholders.

## BOARD MEETINGS

**Selection of Agenda Items for Board Meetings**

i) The Company holds a minimum of four Board Meetings in each year, which are pre-scheduled after the end of each financial quarter. Apart from the four pre-scheduled Board Meetings, additional Board Meetings are convened by giving appropriate notice to address the specific needs of the Company.

ii) All divisions and departments in the Company are encouraged to plan their functions well in advance, particularly with regard to matters requiring discussion and approval by the Board or by Committees. All such matters are communicated to the Company Secretary in advance so that these may be included in the Agenda for the Board or Committee Meetings.

iii) At the beginning of each meeting of the Board, the Chairman & Managing Director briefs the Board members about the key developments relating to the Company.

iv) At each of the four pre-scheduled Board Meetings, managers are invited to make presentations on the major business segments and operations of the Company before taking on record the results of the Company for the preceding financial quarter. Sufficient support information is provided to the Board in advance for all strategic matters of significance pertaining to expansion plans, financing and diversifications. These are discussed and deliberated in detail at the Board level.

v) The Board's annual agenda includes recommending dividend, determining Directors who shall retire by rotation and recommending appointment of Directors and Auditors, authentication of annual accounts and approving the Directors' Report, long term strategic plan for the Company and the principal issues that the Company expects to face in the future. Board Meetings also note and review functions of its Committees.

The Chairman of the Board and the Company Secretary in consultation with other concerned persons in senior management finalise the agenda papers for the Board Meeting. Directors have access to the Company Secretary's support for all information of the Company and are free to suggest inclusion of any matter in the Agenda.

**Board Material Distributed in Advance**

i) Agenda Papers are circulated to the Directors in advance. All material information is incorporated in the Agenda Papers for facilitating meaningful and focussed discussions at the Meeting. Where it is not practicable to attach any documents to the Agenda, the same are placed on the table at the Meeting with specific reference to this effect in the Agenda.

ii) In special and exceptional circumstances, additional or supplementary items on the Agenda are permitted to be taken at the Meeting.

**Recording Minutes of Proceedings at Board and/or Committee Meetings**

The Company Secretary records the minutes of the proceedings of each Board and Committee Meeting. Draft Minutes are circulated to all the members of the Board for their comments. The minutes of proceedings of a Meeting are entered in the Minutes Book within 30 days from the conclusion of the Meeting.

**Compliance**

The Company Secretary while preparing the agenda, notes on agenda and minutes of the Meetings, is responsible for and is required to ensure adherence to all the applicable provisions of law including the Companies Act, 1956 and the Secretarial Standards recommended by the Institute of Company Secretaries of India.

## BOARD COMMITTEES

To enable better and focussed attention on the affairs of the Company, the Board delegates specific matters to its Committees. These Committees also prepare the groundwork for decision-making and report at the subsequent Board Meetings. No matter, however, is left to the final decision of any Committee, which under the law or the Articles may not be delegated by the Board or may require the Board's explicit approval. Minutes of the Committee Meetings are circulated to all Directors and discussed at the Board Meetings.

**Audit Committee**

The terms of reference, role and scope are in line with those prescribed by Clause 49 of the Listing Agreement with the Stock Exchanges. The Company also complies with provisions of Section 292A of the Companies Act, 1956 pertaining to Audit Committee and its functioning.

The Audit Committee consists wholly of Independent Directors having requisite knowledge of finance, accounts and Company law. The terms of reference of this Committee encompass the whole of that contained in the SEBI code as well as under Section 292A of the Companies Act, 1956. Shri Amitav Kothari is the Chairman of the Committee. Shri B. D. Sureka and Shri H. K. Khaitan are the other members of the Committee.

During the year under review, the Committee met four times; on 28th May 2011, 12th August 2011, 4th November 2011 and 11th February 2012.

Attendance of Members at Audit Committee Meetings held during the year 2011-12:

| Name of Director | No. of Meetings attended |
|---|---|
| Shri Amitav Kothari | 4 |
| Shri H.K. Khaitan | 4 |
| Shri B.D. Sureka | 2 |

**Shareholders'/Investors' Grievances Committee**

This Committee is formed to specifically look into Shareholders/Investors grievances.

Shri N.K. Sethia, Company Secretary and Compliance Officer under the relevant regulations, has been delegated authority to attend to Share transfer formalities at least once in a fortnight. There are no pending share transfers except sub-judice matters, which would be solved on final disposal by Hon'ble Courts. This Committee is chaired by Shri B.D. Sureka and includes Shri H.K. Khaitan and Shri T.D. Bahety as its members. During the year under review, the Committee met two times; on 28th May 2011, and 11th February 2012.

Attendance of Members at Shareholders'/Investors' Grievances Committee Meetings held during the year 2011-12:

| Name of Director | No. of Meetings attended |
|---|---|
| Shri B. D. Sureka | - |
| Shri H. K. Khaitan | 2 |
| Shri T.D. Bahety | 2 |

**Remuneration and Selection Committee**

The Remuneration and Selection Committee is constituted to review and recommend the remuneration of Managing and Wholetime Directors, based on performance and defined criteria and to perform the functions as prescribed under Section 314 (1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003.

The Committee consists of three independent Directors to determine, on behalf of the Board and Shareholders, the Company's policy on specific remuneration packages for Managing and Wholetime Directors, and to perform the functions as prescribed under Section 314 (1B) of the Companies Act, 1956. This Committee is chaired by Prof. S.L. Rao and includes Shri Ravinder Nath and Shri H.K. Khaitan as its members. During the year under review, the Committee met two times; on 28th May 2011 and 7th November 2011.

Attendance of Members at Remuneration and Selection Committee Meetings held during the year 2011-12:

| Name of Director | No. of Meetings attended |
|---|---|
| Prof. S.L. Rao | 2 |
| Shri Ravinder Nath | 2 |
| Shri H.K. Khaitan | 1 |

The remuneration policy of the Company is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing Industry practice.

The Managing Director and Wholetime Director(s) are paid remuneration as per their agreements with the Company. These agreements are placed for approval before the Board and the shareholders and such other authorities as may be necessary. The remuneration structure of the Managing Director and the Wholetime Director(s) comprises salary, commission, perquisites and other benefits. There are no stock option benefits to any of the Directors.

The Managing Director and Wholetime Director(s) are not paid sitting fee for attending Meetings of the Board or Committees thereof. Other Directors are paid a sitting fee of Rs.20,000/- for attending each Board, Audit and Remuneration and Selection Committee Meeting and Rs.5,000/- for attending each other Committee Meeting.

**Details of Remuneration paid or payable to Directors for the Financial Year ended 31st March 2012**

**(Figures in Rupees)**

| Name of the Director | Salary | Perquisites and other benefits | Commission | Sitting Fees* | Total |
|---|---|---|---|---|---|
| Shri R.V. Kanoria[1] | 5,793,135 | 4,411,607 | - | - | 10,204,742 |
| Shri Amitav Kothari | - | - | - | 180,000 | 180,000 |
| Shri H.K. Khaitan | - | - | - | 190,000 | 190,000 |
| Shri Ravinder Nath | - | - | - | 1,40,000 | 1,40,000 |
| Shri G. Parthasarathy | - | - | - | 80,000 | 80,000 |
| Prof. S.L. Rao | - | - | - | 1,20,000 | 1,20,000 |
| Shri B.D. Sureka | - | - | - | 60,000 | 60,000 |
| Shri A. Vellayan | - | - | - | 20,000 | 20,000 |
| Shri J. P. Sonthalia[2] | 1,244,271 | 2,526,740 | - | - | 3,771,011 |
| Shri T.D. Bahety | 2,310,000 | 1,997,955 | - | - | 4,307,955 |

* Includes Sitting Fee paid for Committee Meetings.

1) Due to inadequacy of profits as per Section 349 of the Companies Act, 1956 (the Act), the remuneration paid to Shri R. V. Kanoria during the period from 1st April 2011 to 9th January 2012, exceeds the limit prescribed under Section 309 read with the Schedule XIII of the Act, by Rs. 3,515,533. The Company has initiated steps to obtain the approvals for the same from the shareholders in the ensuing Annual General Meeting and the Central Government, as required.

   The remuneration of Rs.2,527,145 paid to him for the period from 10th January 2012 to 31st March 2012 (on his re-appointment), is subject to the approval of the shareholders in the ensuing Annual General Meeting, and further the same is subject to the approval of the Central Government.

2) Ceased to be Managing Director (Designate) Chloro Chemicals with effect from the end of business hours on 16th August 2011.

**Details of Agreement**

| Name | From | To | Tenure |
|---|---|---|---|
| Shri R.V. Kanoria* | 10.01.2012 | 09.01.2015 | 3 years |
| Shri T.D. Bahety** | 20.05.2010 | 19.05.2013 | 3 years |

* Subject to the approval of the shareholders and the Central Government.

** For termination of agreement, the Company and the Whole time Director are required to give a notice of three months or three months' salary in lieu thereof.

**Equity Shares of the Company held by Directors**

The Directors, who hold the Equity Shares of the Company as on 31st March 2012 are Shri R.V. Kanoria (434,985), Shri B.D. Sureka (1,500), Shri T.D. Bahety (3,024), Shri A. Vellayan (15,000), Shri H. K. Khaitan (100), Prof. S. L. Rao (100), Shri Ravinder Nath (100), Shri Amitav Kothari (4), Shri J. P. Sonthalia (2) and Shri G. Parthasarathy (1).

**Finance Committee**

The Finance Committee consists of four Directors to determine on behalf of the Board, the matters relating to Debentures, Term Loans and any other types of Financial Assistance from Financial Institutions, Banks, Mutual Funds and Others, creation of securities and allotment of securities etc.

This Committee is chaired by Shri R.V. Kanoria and includes Shri H.K. Khaitan, Shri B. D. Sureka and Shri T.D. Bahety as its members. There was no Meeting of the Committee during the year.

**Nomination Committee**

The Nomination Committee consists of three Directors to decide on the composition of the Board and make recommendations to the Board for filling up the Board vacancies that may arise from time to time.

This Committee is chaired by Shri R.V. Kanoria and includes Shri G. Parthasarathy and Shri Ravinder Nath as its members. There was no Meeting of the Committee during the year.

**Project Management Committee**

The Project Management Committee consists of four Directors to monitor the progress of implementation of various expansion programmes of the Company.

This Committee is chaired by Shri R.V. Kanoria and includes Prof. S.L. Rao, Shri G. Parthasarathy and Shri T.D. Bahety as its members. There was no Meeting of the Committee during the year.

## OTHER COMMITTEES

**Risk Management Committee**

The Risk Management Committee consists of Executives of the Company to identify and assess significant risks that might impact the achievement of the Company's objectives and to develop risk management strategies to minimise identified risks and to design appropriate risk management procedures. Presently, the Committee consists of Shri N.K. Nolkha -Chief Financial Officer, Shri N.K. Sethia - Company Secretary and Shri Arun Agarwal - President (Works). During the year under review the Committee met on 21st November 2011 and 27th March 2012.

## GENERAL BODY MEETINGS

The last three Annual General Meetings of the Company were held as per details given below:

| Year | Date | Time | Venue | No. of Special Resolution(s) passed |
|---|---|---|---|---|
| 2010-11 | 12th August 2011 | 2.30 P. M. | 'Shripati Singhania Hall', | 3 |
| 2009-10 | 29th July 2010 | 2.30 P. M. | Rotary Sadan, 94/2 Chowringhee Road, | 1 |
| 2008-09 | 31th July 2009 | 2.30 P. M. | Kolkata-700 020 | 2 |

During the year 2011-12, the following resolutions were passed by way of Postal Ballot:

- an ordinary resolution under Section 293 (1) (a) of the Companies Act, 1956 for sale of the Company's Chloro Chemicals Division was passed .

  The postal ballot process was undertaken in accordance with the provisions of Section 192A of the Companies Act, 1956, read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2001. Shri H. M. Choraria, a practicing Company Secretary was appointed as Scrutinizer for the said postal ballot process. The result of the postal ballot was declared on 23rd May 2011 and the resolution was passed with the requisite majority. The details of the postal ballot voting are given below:

| | |
|---|---|
| Number of valid Postal Ballot Forms received | 516 |
| Percentage Votes in favour of the resolution | 98.34 |
| Percentage Votes against the resolution | 1.66 |
| Number of Invalid Ballot Forms received | 32 |

- a special resolution under Section 314 (1B) of the Companies Act, 1956 for holding of office or place of profit in the Company as General Manager (HR) by Smt. Vaidehi Kanoria, a relative of Shri R. V. Kanoria, Managing Director of the Company.

  The postal ballot process was undertaken in accordance with the provisions of Section 192A of the Companies Act, 1956, read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2011. Shri H. M. Choraria, a practicing Company Secretary was appointed as Scrutinizer for the said postal ballot process. The result of the postal ballot was declared on 22nd September 2011 and the resolution was passed with the requisite majority. The details of the postal ballot voting are given below:

| | |
|---|---|
| Number of valid Postal Ballot Forms received | 467 |
| Percentage Votes in favour of the resolution | 99.78 |
| Percentage Votes against the resolution | 0.22 |
| Number of Invalid Ballot Forms received | 26 |

At the ensuing Annual General Meeting, there is no resolution proposed to be passed by postal ballot.

## SUBSIDIARY COMPANY

The Company has no material non-listed subsidiary company. The Audit Committee reviews the financial statements, particularly the investments made by the subsidiary company. The minutes of the Board Meetings of the subsidiary company are placed at the Board Meetings of the Company.

## DISCLOSURES

Related parties and transactions with them as required under Accounting Standard 18 (AS-18) are furnished under Note No. 40 of the Notes on Accounts attached with the financial statement for the year ended 31st March 2012. There are no pecuniary relationships or transactions with the non-executive independent Directors.

None of the transactions with any of the related parties were in conflict with the interest of the Company.

There has been no non-compliance, penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any other Statutory Authorities, on any matter related to capital markets during the last three years.

## MEANS OF COMMUNICATION

The quarterly financial results as prescribed under the Listing Agreements and the audited annual results were approved and taken on record within the prescribed time limits. The approved results were thereafter sent to the Stock Exchanges and also published in English newspapers having nationwide circulation and in vernacular language (Bengali) newspaper within 48 hours of the Meeting.

As the Company publishes its half-yearly results in English newspapers having nationwide circulation and in a vernacular language (Bengali), the same are not sent individually to each shareholder of the Company.

The Company issues official press releases to the print media from time to time and also updates Analysts on the activities of the Company.

The Company has its own website www.kanoriachem.com where information about the Company is displayed and regularly updated. An e-mail ID investor@kanoriachem.com has been created and displayed on the Company's website for the purpose of interaction including registering complaints by the investors.

## GREEN INITIATIVE IN CORPORATE GOVERNANCE

The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including annual report to its members can be done by sending the same by e mail.

Your Company supports this Green Initiative of the Government and encourages its Members who have not registered their e-mail addresses so far, to register their e-mail addresses with the Depository through their respective Depository Participants in case of shares held in electronic form and with the Company/ Registrar & Transfer Agent, C. B. Management Services Pvt. Limited in case of shares held in physical form and also to update/intimate changes in their e-mail addresses from time to time.

## MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis is a part of the Annual Report.

## CEO AND CFO CERTIFICATION

The Managing Director (de-facto Chief Executive Officer) and the Chief Financial Officer of the Company have certified to the Board regarding review of financial statement for the year, compliance with the accounting standards, maintenance of internal control for financial reporting and accounting policies.

## CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

In compliance with the Securities & Exchange Board of India (Prevention of Insider Trading) Regulations, 1992, the Company has framed a Code of Conduct for prevention of insider trading by Company insiders. The Code, inter alia, prohibits purchase and/or sale of shares of the Company by the Directors and designated employees while in possession of unpublished price sensitive information in relation to the Company.

## CODE OF CONDUCT

The Company has Codes of Conduct for its Directors and Employees. The Directors and Senior Management Personnel have affirmed their compliance with the Code of Conduct during the year.

The Code of Conduct is available on the Company's web site.

## UNCLAIMED SHARES

Clause 5A (I) of the Listing Agreement is not applicable to the Company. As per Clause 5A (II), the shares, issued in physical form and remained unclaimed even after sending three reminders to the respective shareholders, have been transferred to the "Unclaimed Suspense Account." The particulars of Unclaimed Suspense Account are as follows:

| | No. of Shareholders | No. of Shares |
|---|---|---|
| Aggregate number of shareholders and outstanding shares related thereto transferred to the Unclaimed Suspense Account during the year | 199 | 120,456 |
| Number of shareholders who approached the Company for transfer of shares from the Unclaimed Suspense Account during the year | NIL | NIL |
| Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year | NIL | NIL |
| Aggregate number of shareholders and outstanding shares lying in the Unclaimed Suspense Account at the end of the year | 199 | 120,456 |

## COMPLIANCE CERTIFICATE OF THE AUDITORS

The Statutory Auditors' Certificate that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is annexed hereto.

## MANDATORY AND NON-MANDATORY PROVISIONS OF THE CODE

The Company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement. Following is the status of the compliance with the non-mandatory requirements of the Clause 49 of the Listing agreement:

- The Company has constituted a Remuneration and Selection Committee to review and recommend remuneration of Managing and Wholetime Directors and also to perform the functions as prescribed under Section 314 (1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003.

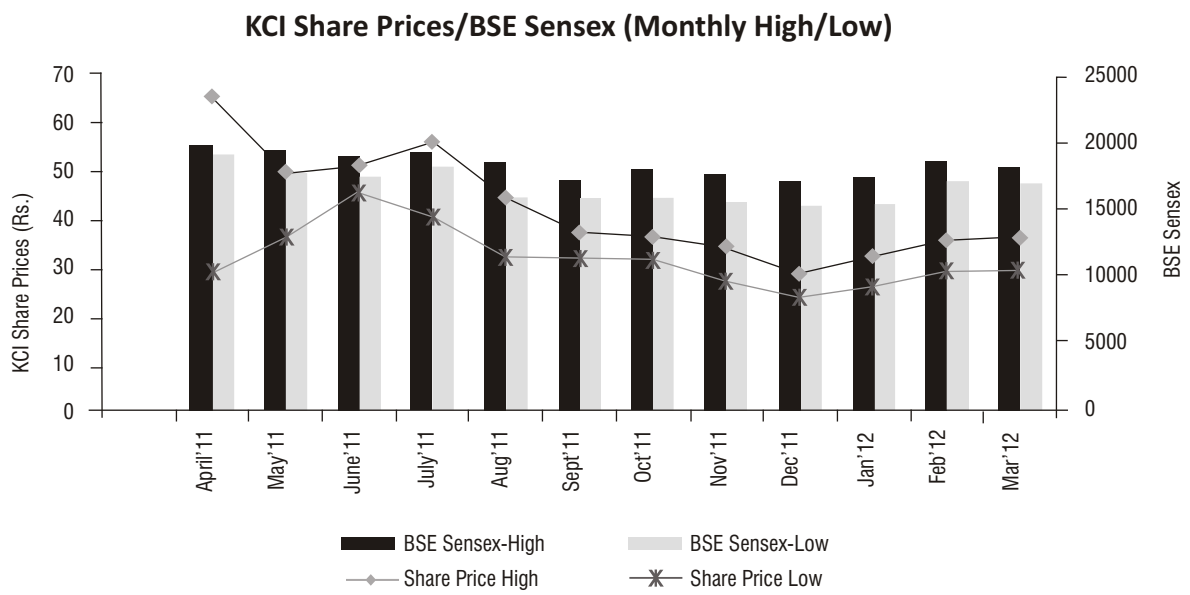
## GENERAL SHAREHOLDERS' INFORMATION

| | |
|---|---|
| 1. Annual General Meeting | |
| ■ Date and time | 8th August 2012 at 2.30 P.M. |
| ■ Venue | 'Shripati Singhania Hall', Rotary Sadan<br>94/2 Chowringhee Road, Kolkata-700 020 |
| 2. Financial Calendar 2012-13<br>(tentative and subject to change) | |
| ■ Financial Results for the:<br>quarter ending 30th June 2012<br>quarter ending 30th September 2012<br>quarter ending 31st December 2012 | Within 45 days of end of respective quarter |
| year ending 31st March 2013 | By 30th May 2013 |
| ■ Annual General Meeting 2012-13 | By September 2013 |
| 3. Date of Book Closure | 25th July 2012 to 8th August 2012 (both days inclusive) |
| 4. Dividend Payment Date | On and after 14th August 2012<br>(subject to shareholders' approval) |
| 5. Listing on Stock Exchanges: | National Stock Exchange of India Ltd.<br>'Exchange Plaza'<br>Bandra-Kurla Complex, Bandra (E)<br>Mumbai - 400 051<br>www.nseindia.com<br><br>Bombay Stock Exchange Ltd.<br>P. J. Towers,Dalal Street, Fort<br>Mumbai - 400 001<br>www.bseindia.com<br>Note:Listing fee for the year 2012-13 has been paid to the above Stock Exchanges. |
| 6. Stock Code: | |
| Bombay Stock Exchange Ltd. | 50 6525 |
| National Stock Exchange of India Ltd. | KANORICHEM |

7. Stock Price Data (in Rs./per share):

| Months | National Stock Exchange (NSE)* | | Bombay Stock Exchange (BSE)* | |
|---|---|---|---|---|
| | High | Low | High | Low |
| April 2011 | 65.40 | 27.55 | 65.40 | 28.40 |
| May 2011 | 49.35 | 35.70 | 49.00 | 36.00 |
| June 2011 | 51.00 | 45.35 | 50.90 | 45.30 |
| July 2011 | 55.20 | 40.00 | 55.80 | 40.05 |
| August 2011 | 44.50 | 31.70 | 44.40 | 31.75 |
| September 2011 | 36.60 | 31.10 | 36.70 | 31.60 |
| October 2011 | 36.10 | 29.70 | 36.00 | 31.20 |
| November 2011 | 34.35 | 27.05 | 34.20 | 27.00 |
| December 2011 | 28.50 | 23.00 | 28.25 | 23.55 |
| January 2012 | 32.00 | 25.55 | 32.00 | 25.80 |
| February 2012 | 35.75 | 29.20 | 35.60 | 29.00 |
| March 2012 | 35.70 | 29.15 | 35.85 | 29.00 |

*Source: Website of NSE and BSE




8. Registrar and Share Transfer Agent

C. B. Management Services (P) Limited
P-22, Bondel Road, Kolkata -700 019
Phone : (033) 22806692 (3 lines), 40116700
Fax : (033) 40116739
Email : rta@cbmsl.com

9. (a) Share Transfer System

The share transfers which are received in physical form are processed and the share certificates are returned within a period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects.

Details of the share transfers during the year 2011-12:

| | |
|---|---|
| No. of valid share transfer applications received, processed and registered | 45 |
| No. of shares transferred | 19,060 |
| No. of share transfers in process as on 31.03.2012 | NIL |
| No. of shares dematerialised | 1,170,774 |
| No. of shares rematerialized | 1 |

During the year 2011-12, the Company attended to most of the investors' grievances and/or correspondence within a period of seven days from the date of the receipt of such grievances and/or correspondence.

As per Complaints Receipt Register maintained by the Company and/or Registrar, altogether 6 complaints were received during the period 1st April 2011 to 31st March 2012 and all were redressed as per details given below:

| Nature | No. of Complaints | Redressed | Pending |
|---|---|---|---|
| 1. Non-receipt of Dividend Warrants | 2 | 2 | - |
| 2. Non-receipt of Share Certificates | - | - | - |
| 3. Non-receipt of Annual Reports | 1 | 1 | - |
| 4. Complaint through SEBI | 3 | 3 | - |
| 5. Complaint through Stock Exchanges | - | - | - |
| **Total** | **6** | **6** | **-** |

(b) Dematerialisation of Shares and liquidity

Depositories:

National Securities Depository Limited, Mumbai and Central Depository Services (India) Limited, Mumbai. The Equity Shares of the Company are compulsorily traded and settled through Stock Exchanges only in the dematerialised form.

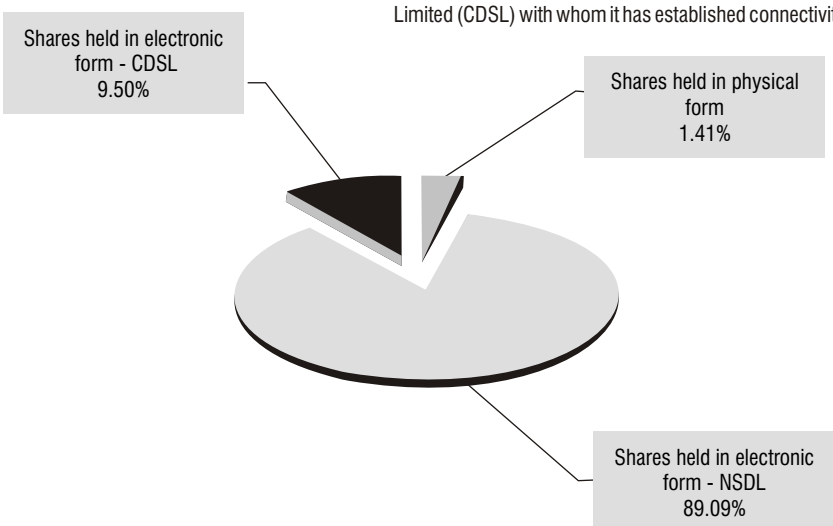
A total of 55,503,554 Equity Shares of the Company representing 98.59 % of the Share Capital are dematerialised as on 31st March 2012.

Under the Depository System, International Securities Identification Number (ISIN) allotted to the Company's Equity Shares is INE 138C01024.

Shares held in the dematerialised form are electronically transferred by the Depository Participant and the Company is informed periodically by the Depositories about the beneficiary holdings to enable the Company to send corporate communication, dividend etc.

The requests received for dematerialisation are processed within a period of 10 days from the date of receipt of request provided they are in order in every respect.

The shareholders may kindly note that the Company has paid the custody charges for the financial year 2012-13 to both the Depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) with whom it has established connectivity.




(c) National Electronic Clearing Service (NECS) for Dividend

Your Company provides shareholders the option to receive dividend through the NECS facility. To avoid risk of loss and/or interception of dividend warrants in postal transit and/or fraudulent encashment, shareholders are requested to avail the NECS facility where dividends are directly credited in electronic form to their respective bank accounts.

Shareholders located in places where NECS facility is not available may submit their bank details. This will enable the Company to incorporate this information in dividend warrants to minimise the risk of fraudulent encashment.

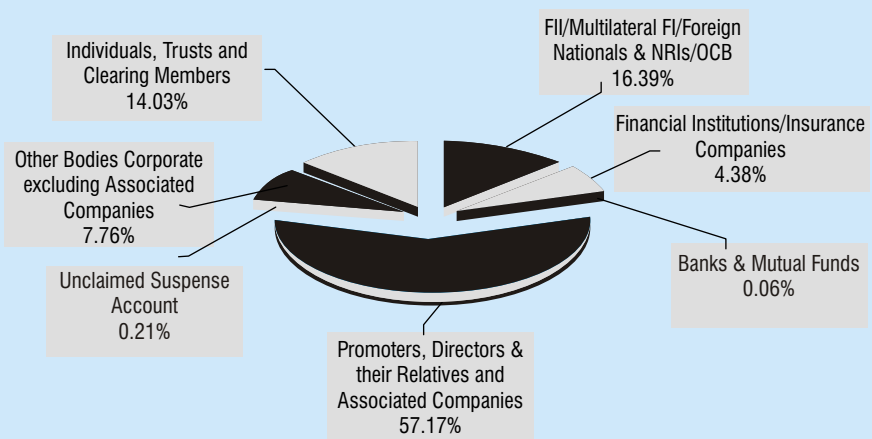
10. Distribution of Equity Shareholding as on 31st March 2012:

| Nominal value of Shareholding | Number of Shareholders | | Number of Equity Shares | |
|---|---|---|---|---|
| | Total | % of Shareholders | Total | % of Share Capital |
| Up to Rs.5,000 | 9,229 | 86.67 | 2,263,270 | 4.02 |
| Rs. 5,001 - Rs.10,000 | 665 | 6.25 | 986,048 | 1.75 |
| Rs.10,001 - Rs.20,000 | 401 | 3.77 | 1,154,569 | 2.05 |
| Rs. 20,001 - Rs. 30,000 | 144 | 1.35 | 716,144 | 1.27 |
| Rs. 30,001 - Rs.40,000 | 38 | 0.36 | 263,521 | 0.47 |
| Rs. 40,001 - Rs. 50,000 | 39 | 0.37 | 363,201 | 0.65 |
| Rs. 50,001 - Rs. 1,00,000 | 62 | 0.58 | 890,983 | 1.58 |
| Rs. 1,00,001 and above | 70 | 0.65 | 49,658,764 | 88.21 |
| **Total** | **10,648** | **100.00** | **56,296,500** | **100.00** |

11. Equity Shareholding Pattern as on 31st March 2012:

| Category | No. of Shares held | % of Shareholding |
|---|---|---|
| FII/Multilateral FI/Foreign Nationals & NRIs/OCB | 9,227,773 | 16.39 |
| Financial Institutions / Insurance Companies | 2,468,306 | 4.38 |
| Banks & Mutual Funds | 32,925 | 0.06 |
| Promoters, Directors & their Relatives and Associated Companies | 32,183,062 | 57.17 |
| Other Bodies Corporate excluding Associated Companies | 4,367,239 | 7.76 |
| Individuals, Trusts and Clearing Members | 7,896,739 | 14.03 |
| Unclaimed Suspense Account | 120,456 | 0.21 |
| **Total** | **56,296,500** | **100.00** |

**Graphic Presentation of the Equity Shareholding Pattern as on 31.03.2012**




12. Top Ten Shareholders of the Company as on 31st March 2012:

| Sl. No. | Name of Shareholders | No. of shares | % of shareholding |
|---|---|---|---|
| 1 | Vardhan Limited | 25,733,079 | 45.71 |
| 2 | International Finance Corporation | 6,102,000 | 10.84 |
| 3 | R V Investment & Dealers Limited | 3,210,120 | 5.70 |
| 4 | Mega Resources Limited | 2,986,720 | 5.31 |
| 5 | Morgan Stanley Mauritius Company Limited | 1,342,876 | 2.39 |
| 6 | IFCI Limited | 1,200,000 | 2.13 |
| 7 | Kirtivardhan Finvest Services Limited | 1,154,907 | 2.05 |
| 8 | Ricky Ishwardas Kirpalani | 768,244 | 1.37 |
| 9 | United India Insurance Co. Limited | 756,693 | 1.34 |
| 10 | Keswani Haresh | 699,280 | 1.24 |
| | **Total** | **43,953,919** | **78.08** |

| | | |
|---|---|---|
| 13 | Outstanding GDR/ADRs/Warrants or any convertible Instruments, conversion date and likely impact on equity. | As per terms of issue, the entire optionally convertible FCCBs of US$ 20 million issued by the Company have been redeemed on 7th June 2011. The Company has not issued GDRs/ ADRs/ Warrants or any other convertible Instruments. |
| 14 | Plant Locations | **I - Alcochem Ankleshwar Division**<br>**Ankleshwar Chemical Works**<br>3407, GIDC Industrial Estate,<br>P.O. Ankleshwar-393 002,<br>Dist. Bharuch (Gujarat).<br>**Bio-Compost Plant**<br>Vill. Sengpur,<br>Taluka: Ankleshwar-393 002,<br>Dist. Bharuch (Gujarat).<br>**Windfarm**<br>Vill. Dhank ,Taluka: Upleta,<br>Dist. Rajkot (Gujarat).<br><br>**II- Alcochem Vizag Division**<br>Plot No.32, Jawaharlal Nehru<br>Pharma City, Parwada,<br>Vishakhapatnam - 531 021 (Andhra Pradesh)<br><br>**III-Solar Power Plant**<br>Vill. Bawdi Barsinga,<br>P.O. Bap, Tehsil: Phalodi,<br>Dist. Jodhpur (Rajasthan) |
| 15 | Address for Correspondence:<br>For Investors' matters | The Company Secretary<br>Kanoria Chemicals & Industries Limited<br>'Park Plaza', 71 Park Street, Kolkata-700 016.<br>Phone : (033) 2249-9472/73/74<br>Fax : (033) 2249-9466<br>Email : nksethia@kanoriachem.com<br>Website: http://www.kanoriachem.com |
| | For queries relating to Financial Statements | The Chief Financial Officer<br>Kanoria Chemicals & Industries Limited<br>'Park Plaza', 71 Park Street, Kolkata-700 016.<br>Phone : (033) 2249-9472/73/74<br>Fax : (033) 2249-9466<br>Email : nolkha@kanoriachem.com<br>Website: http://www.kanoriachem.com |
| 16 | Deposit of unclaimed dividend amount to Investor Education and Protection Fund | During the year under review, the Company has deposited unclaimed dividend of Rs. 171497.50 for the year 2003-04 to the Investor Education and Protection Fund on 24th November 2011, pursuant to Section 205C of the Companies Act, 1956 and the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001. |

For and on behalf of the Board

R.V. Kanoria
Chairman & Managing Director

**Registered Office**
'Park Plaza'
71, Park Street
Kolkata - 700 016
Dated, the 11th day of May 2012

# AUDITORS' CERTIFICATE

**Auditor's Certificate on compliance of conditions of corporate governance to the members of Kanoria Chemicals & Industries Limited**

We have examined the compliance of conditions of Corporate Governance by **KANORIA CHEMICALS & INDUSTRIES LIMITED** ("the Company") for the year ended 31st March 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to explanations given to us, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For SINGHI & CO.
Chartered Accountants
Firm Registration No.302049E

Camp : New Delhi
1-B, Old Post Office Street, Kolkata
Dated, the 11th day of May 2012

Rajiv Singhi
(Partner)
Membership No. 53518

# AUDITORS' REPORT

To the Members of **KANORIA CHEMICALS & INDUSTRIES LIMITED**

1. We have audited the attached Balance Sheet of **KANORIA CHEMICALS & INDUSTRIES LIMITED** as at 31st March 2012, the Statement of Profit & Loss and the Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;

   iii. The Balance Sheet and Statement of Profit and Loss dealt with by this report are in agreement with the books of account;

   iv. In our opinion, the Balance Sheet and Statement of Profit and Loss dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

   v. On the basis of the written representations received from the Directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, **subject to note no. 36 in notes to financial statement regarding payment of Managerial Remuneration which require necessary approval as stated in said notes,** read with significant accounting policies and other notes on financial statement give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

      (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;

      (b) in the case of the Statement of Profit and Loss, of the **PROFIT** for the year ended on that date; and

      (c) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For SINGHI & CO.
Chartered Accountants
Firm Registration No.302049E

Rajiv Singhi
(Partner)
Membership No. 53518

Camp : New Delhi
1-B, Old Post Office Street, Kolkata
Dated, the 11th day of May 2012

# ANNEXURE TO THE AUDITORS' REPORT

**(Referred to in Paragraph 3 of our report of even date)**

i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) As per the information and explanations given to us, physical verification of fixed assets has been carried out in terms of the phased program of verification of its fixed assets adopted by the Company and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to size of the Company and nature of its business.

(c) Consequent upon the Slump sale of its Chloro Chemical division as stated in note no. 38 of the notes to financial statement, Company has sold its fixed assets of Chloro Chemical Division during the year covered by our report. The Company is continuing with its Alco chemical business. Further as per the information & explanation given to us, the sale of assets as stated above, will not affect going concern status of the company.

ii. (a) The inventories have been physically verified at reasonable intervals during the year by the management/Internal Auditors except materials lying with third parties, where confirmations are obtained.

(b) In our opinion, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company has maintained proper records of inventories. The discrepancies between the physical stocks and book stocks, which are not significant, have been properly dealt with in the books of account.

iii. (a) As per the information furnished, the Company has not granted any loans secured or unsecured to Companies, firms or other parties covered in the Register maintained U/S 301 of the Companies Act, 1956. Hence Clauses 3(b), (c) and (d) of the order are also not applicable to the company.

(b) As per the information furnished, the Company has not taken any loans secured or unsecured from Companies, firms or other parties covered in the Register maintained U/S 301 of the Companies Act, 1956. Hence Clauses 3(f) and (g) of the order are also not applicable to the company.

iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books of accounts and according to the information and explanations given to us, we have not come across nor have we been informed of any instances of major weaknesses in the aforesaid internal control system.

v. (a) In our opinion and according to the information and explanation given to us, the transactions that need to be entered into register maintained under section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees of five lacs in respect of any party during the year have been made at price, which are reasonable having regard to the prevailing market price at the relevant time.

vi. The Company has not accepted any deposit during the year from the public within the meaning of the provisions of Section 58A and 58AA of the Companies Act, 1956 and rules made thereunder.

vii. In our opinion, the Company has internal audit system commensurate with the size and nature of its business.

viii. We have broadly reviewed the Books of Account maintained by the Company in respect of its product as prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained. However, we have not carried out a detailed examination of accounts and records.

ix. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and cess during the year with the appropriate authorities. According to the information and explanations given to us, no undisputed amount payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and cess and other statutory dues were outstanding as at 31st March, 2012 for a period of more than six months from the date they became payable.

(b) According to the record of the Company, the dues of Excise Duty and Income Tax, which have not been deposited on account of dispute and the forum where the disputes are pending are as under:

| Nature of the Statute | Nature of Dues | Amount (Rs. in million) | Period | Forum where dispute is pending |
|---|---|---|---|---|
| The Central Excise Act 1944 | Excise Duty demand | 4.52 | 2005-06 to 2010-11 | Commissioner (A) Central Excise |
| The Income Tax Act, 1961 | Income Tax Demand | 128.13 | 2008-09 and 2009-10 | C.I.T (A) |

x. The Company has no accumulated losses as at 31st March 2012 and has not incurred cash losses in the current financial year ended on that date and in the immediately preceding financial year.

xi. Based on our audit procedures and as per the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institution or bank. There were no outstanding debentures during the year.

xii. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. The Company is not a chit fund/nidhi/mutual benefit fund/society to which the provision of the special statutes as specified in paragraph 4(xiii) of the order are applicable.

xiv. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments and accordingly this clause is not applicable.

xv. The company has given the corporate guarantee amounting to Rs. 11.63 million to Gujarat Industrial Development Corporation for securing loan by Bharuch Eco- Aqua Infrastructure Ltd. The terms and conditions of which, prima facie, are not prejudicial to the interest of the company.

xvi. According to the information and explanations given to us, the Company has applied term loans for the purpose for which they were obtained during the year.

xvii. On the basis of our examination of the Cash Flow Statement, records and information and explanations given to us, the fund raised on Short Term basis, during the year, have not been used for Long Term investments. Long Term investments during the year have been financed through Long Term Borrowings and internal accrual of the Company.

xviii. The company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under section 301 of the Act.

xix. The company did not have any outstanding debenture during the year and accordingly paragraph 4(xix) of the order is not applicable.

xx. The Company has not raised any money by public issues during the year and accordingly paragraph 4(xx) of the order is not applicable.

xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For SINGHI & CO.
Chartered Accountants
Firm Registration No.302049E

Rajiv Singhi
(Partner)
Membership No. 53518

Camp : New Delhi
1-B, Old Post Office Street, Kolkata
Dated, the 11th day of May 2012

# BALANCE SHEET

## AS AT 31ST MARCH, 2012

(Rs. in million)

| Particulars | Note No. | 31.3.2012 | 31.3.2011 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' Funds** | | | |
| Share Capital | 2 | 281.50 | 281.50 |
| Reserves & Surplus | 3 | 4,867.96 | 1,951.45 |
| | | 5,149.46 | 2,232.95 |
| **Non-current Liabilities** | | | |
| Long-term Borrowings | 4 | 641.39 | 2,515.54 |
| Deferred Tax Liabilities (Net) | 5 | 169.95 | 537.81 |
| Other Long-term Liabilities | 6 | 1.47 | 3.50 |
| Long-term Provisions | 7 | 35.97 | 503.48 |
| | | 848.78 | 3,560.33 |
| **Current Liabilities** | | | |
| Short-term Borrowings | 8 | 540.53 | 795.18 |
| Trade Payables | 9 | 152.13 | 240.83 |
| Other Current Liabilities | 10 | 191.28 | 797.80 |
| Short-term Provisions | 7 | 101.02 | 338.81 |
| | | 984.96 | 2,172.62 |
| **Total** | | 6,983.20 | 7,965.90 |
| **ASSETS** | | | |
| **Non-current Assets** | | | |
| Fixed Assets | 11 | | |
| Tangible Assets | | 1,852.09 | 5,864.69 |
| Intangible Assets | | 2.34 | 8.10 |
| Capital Work-in-Progress | | 579.19 | 100.45 |
| Intangible Assets under development | | 0.35 | - |
| | | 2,433.97 | 5,973.24 |
| Non-current Investments | 12 | 2,052.62 | 56.82 |
| Long-term Loans & Advances | 13 | 32.72 | 26.24 |
| **Current Assets** | | | |
| Current Investments | 12 | 1,422.10 | 10.99 |
| Inventories | 14 | 196.40 | 652.62 |
| Trade Receivables | 15 | 289.58 | 652.77 |
| Cash and Bank Balances | 16 | 169.50 | 251.56 |
| Short-term Loans & Advances | 13 | 316.42 | 287.42 |
| Other Current Assets | 17 | 69.89 | 54.24 |
| | | 2,463.89 | 1,909.60 |
| **Total** | | 6,983.20 | 7,965.90 |

**Significant Accounting policies** 1

**The accompanying notes are an integral part of the Financial Statements**

As per our report annexed
For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518

Camp: New Delhi
Dated the 11th day of May 2012

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

# STATEMENT OF PROFIT & LOSS

## FOR THE YEAR ENDED 31ST MARCH, 2012

(Rs. in million)

| Particulars | Note No. | 2011-2012 | 2010-2011 |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from Operations (net) | 18 | 2,905.00 | 4,917.03 |
| Other Income | 19 | 218.76 | 22.04 |
| Total Revenue | | 3,123.76 | 4,939.07 |
| **EXPENSES** | | | |
| Cost of Raw Materials Consumed | 20 | 1,730.20 | 1,983.30 |
| Purchases of Stock-in-Trade | 21 | - | 89.23 |
| Change in Inventories of finished goods, work-in-progress and Stock-in-Trade | 22 | (16.73) | (8.26) |
| Employees Benefits Expense | 23 | 194.21 | 375.56 |
| Finance Costs | 24 | 136.01 | 232.65 |
| Depreciation & Amortisation | 25 | 157.03 | 410.33 |
| Other Expenses | 26 | 788.49 | 1,640.30 |
| Total Expenses | | 2,989.21 | 4,723.11 |
| **Profit before exceptional and extraordinary items and Tax** | | 134.55 | 215.96 |
| Exceptional items | 27 | 3,570.37 | (1.56) |
| **Profit before extraordinary items and Tax** | | 3,704.92 | 214.40 |
| Extraordinary items | | - | - |
| **Profit before Tax** | | 3,704.92 | 214.40 |
| Add: Taxation for earlier year | | 0.02 | - |
| Less: Tax Expense | | | |
| Current Tax | | 1,055.53 | 42.29 |
| Deferred Tax | | (347.90) | 2.32 |
| Add: MAT credit entitlement | | 58.90 | - |
| **Profit for the year** | | 3,056.21 | 169.79 |
| **The above includes** | | | |
| Profit before Tax from discontinuing operations | | 56.04 | 288.92 |
| Tax expenses of discontinuing operations | | 18.18 | 57.58 |
| Profit after Tax from discontinuing operations | | 37.86 | 231.34 |
| **Earning per Equity Share (Face Value Rs. 5 each)** | 28 | | |
| - **Basic (Rs.)** | | 54.29 | 3.02 |
| - **Diluted (Rs.)** | | 54.29 | 2.21 |
| **Significant Accounting policies** | 1 | | |

**The accompanying notes are an integral part of the Financial Statements**

As per our report annexed
For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518

Camp: New Delhi
Dated the 11th day of May 2012

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31ST MARCH, 2012

(Rs. in million)

| | 2011-2012 | 2010-2011 |
|---|---|---|
| **A. CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Profit before Tax from continuing operations | 78.51 | (72.96) |
| Profit before Tax from discontinuing operations | 56.04 | 288.92 |
| Profit before Tax & Exceptional items | 134.55 | 215.96 |
| Adjustments for: | | |
| Depreciation & Amortisation on continuing operations | 110.99 | 82.51 |
| Depreciation & Amortisation on discontinuing operations | 46.04 | 327.82 |
| Interest Charged | 136.01 | 232.65 |
| (Profit)/Loss on Sale of Fixed Assets (Net) | 8.89 | 55.57 |
| (Profit)/Loss on Sale Investments (Net) | (11.68) | - |
| Interest Income | (87.20) | (7.01) |
| Dividend Income | (107.11) | (0.08) |
| Operating Profit before Working Capital changes | 230.49 | 907.42 |
| Adjustments for: | | |
| Trade Receivables, Loans & Advances and Other Current Assets | (149.52) | (247.71) |
| Inventories | 89.45 | (66.45) |
| Trade Payables, Other liabilities & Provisions | (296.73) | 160.13 |
| Cash generated from Operations | (126.31) | 753.39 |
| Income Tax Paid (excluding Capital Gain Tax on Slump Sale) | (26.21) | (63.30) |
| NET CASH FROM OPERATING ACTIVITIES | (152.52) | 690.09 |
| **B. CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Purchase of Fixed Assets | (722.62) | (625.81) |
| Sale of Fixed Assets | 6.25 | 13.11 |
| Proceeds from Sale of Chloro Chemical Business # | 7,020.64 | - |
| Purchase of Investments | (23,125.95) | (3.95) |
| Sale of Investments | 19,730.74 | 5.30 |
| Interest received | 65.81 | 5.06 |
| Dividend received | 107.11 | 0.08 |
| NET CASH USED IN INVESTING ACTIVITIES | 3,081.98 | (606.21) |
| **C. CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Proceeds/Payments of Borrowings (net) | (2,473.54) | 632.03 |
| Foreign Exchange Fluctuation on FCCBs related transactions | (9.26) | (1.56) |
| Premium on Redemption of FCCBs | (61.53) | (90.53) |
| Dividend Paid (including Dividend Tax) | (326.69) | (93.22) |
| Interest Paid | (141.73) | (303.27) |
| NET CASH USED IN FINANCING ACTIVITIES | (3,012.75) | 143.45 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (83.29) | 227.33 |
| CASH AND CASH EQUIVALENTS - AS AT 01.04.2011 | 249.37 | 22.04 |
| CASH AND CASH EQUIVALENTS - AS AT 31.03.2012 | 166.08 | 249.37 |

# Net of related expenses and capital gain tax.

Notes:

a. Cash and Cash equivalents included in the Cash Flow Statement comprise the following Balance Sheet amounts:

| | | |
|---|---|---|
| Cash and Bank Balances | 169.50 | 251.56 |
| Less: Unpaid Dividend | 3.42 | 2.19 |
| Cash and Cash equivalents | 166.08 | 249.37 |

b. Above statement has been prepared under indirect method except in case of interest, dividend and taxes which have been considered on the basis of actual movement of cash, with corresponding adjustments in assets & liabilities.

c. Additions to Fixed Assets are stated inclusive of movements of capital work in progress in between beginning and end of the year and treated as part of Investing Activities.

d. Adjustment for working capital changes is net of working capital transferred on slump sale.

As per our report annexed
For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518

Camp: New Delhi
Dated the 11th day of May 2012

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

# NOTES TO FINANCIAL STATEMENTS

## 1. SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Convention:

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India, applicable Accounting Standards as prescribed by Companies (Accounting Standards) Rule, 2006 issued by Ministry of Corporate Affairs and the provisions of the Companies Act,1956, except for certain fixed assets which have been revalued.

All items of income and expenditure have been recognised on accrual basis. The accounting policies applied by the Company are consistent with those used in the previous years.

b. Use of Estimates:

The preparation of financial statements require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

c. Revenue Recognition:

Sales revenue is recognised on transfer of significant risk and rewards of the ownership of the goods to the buyer and stated at net of trade discounts and rebates. Other income is recognised on accrual basis. Dividend income on investments is accounted for when the right to receive the payment is established.

Sale of Certified Emission Reductions (CERs) is recognised as Income on the delivery of the CERs to the buyer(s).

d. Fixed Assets:

(i) Fixed Assets, including modernisation expenses incurred are stated at cost of acquisition, construction and improvement made, which is inclusive of freight, duties, taxes, incidental expenses, interest & fund raising cost and other pre-operative expenses apportioned and also includes revaluation amount.

(ii) Capital Work-in-Progress is stated at cost including interest and related expenses incurred during construction or pre-operative period.

(iii) Intangible Assets are stated at cost of acquisition less accumulated amortization.

e. Depreciation/Amortisation :

(i) Depreciation has been calculated on Straight Line Method (SLM) on the assets acquired/installed upto 30th June, 1986 at the rates prevailing at the time of acquisition or installation of the said assets. On the assets acquired thereafter upto 31st March, 1993 the specified period was recomputed according to the revised rates of depreciation as prescribed in Schedule XIV to the Companies Act, 1956 and the amount of depreciation on these assets has been calculated by allocating unamortised value over the remaining part of the recomputed specified period. Depreciation on subsequent additions has been calculated at SLM as per the rates prescribed in Schedule XIV to the Companies Act, 1956.

(ii) Lease hold land is being amortised over the period and/or remaining period of the lease.

(iii) Depreciation on revalued amount of Fixed Assets has been calculated on pro-rata basis to their residual life and charged to Profit & Loss Account in absence of Revaluation Reserve.

(iv) Intangible Assets consisting of Computer Software are amortised over a period of three years using Straight Line Method.

f. Foreign Currency Transaction :

(i) Year end balance of foreign currency transactions is translated at the year end rates and the corresponding effect is given in the accounts excepting those transactions covered by the fixed forward contract for conversion of foreign currency loan in rupee loan which are stated at contracted amount. Transactions completed during the year are adjusted on actual basis.

(ii) In respect of transactions covered under forward foreign exchange contracts, the difference between the forward rate and exchange rate at the inception of contract is recognised as income or expense over the life of the contract.

(iii) Effects arising of interest swap contracts are being adjusted on the date of settlement. Year end liabilities/assets are recognised at the relevant rate prevailing on that date.

g. Inventories:

Inventories are valued as under:-

| | |
|---|---|
| Stores & Spare Parts etc.# | At Cost or net realisable value whichever is lower |
| Raw Materials # | At Cost or net realisable value whichever is lower |
| Finished Goods | At Cost or net realisable value, whichever is lower and in case of products, where cost cannot be ascertained, at net realisable value. |
| Work-in-Process | At Raw Material Cost and/or at cost or net realisable value, whichever is lower |

# The Cost has been arrived at using Weighted Average method.

# NOTES TO FINANCIAL STATEMENTS

h. Investments :

Long term Investments are stated at cost less provision, if any, for diminution, which is considered as permanent in nature. Current Investments are stated at cost or fair value whichever is lower.

i. Employee Benefits:

Employee benefits of short-term nature are recognised as expenses as and when it accrues. Long-term employee benefits (e.g. long- service leave) and post employment benefits (e.g., gratuity), both unfunded, are recognised on expenses based on actuarial valuation at year end using projected unit credit method. Actuarial gain and losses are recognised immediately in the profit and loss account.

j. Taxation:

(i) Provision for current Income Tax is made in accordance with the Income Tax Act,1961. Deferred Tax is measured in accordance with Accounting Standard 22- 'Accounting for Taxes on Income', as specified in the Companies (Accounting Standard) Rule, 2006 issued by Ministry of Corporate Affairs. The deferred tax charge or credit is recognised, subject to consideration of prudence, using substantively enacted tax rates, for timing differences between book and tax profits that originate in one period and are capable of reversal in one or more subsequent periods.

(ii) Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period. In the year in which minimum alternative tax credit becomes eligible to be recognised as an asset in accordance with the recommendation contained in guidance note issued by The Institute of Chartered Accountants of India, the said asset is created by way of credit to Profit & Loss Account. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.

k. Borrowing Cost:

Interest and other costs in connection with the borrowing of the funds to the extent related/attributed to the acquisition/construction of qualifying fixed assets are capitalised upto the date when such assets are ready for its intended use and other borrowing costs are charged to Profit & Loss Account.

Premium on redemption of Bonds/Debentures to the extent they are related/attributed to acquisition/ construction of qualifying fixed assets are capitalized upto the date when such assets are ready for its intended use. Thereafter, Premium on redemption of Bonds/Debentures, net of tax impact, are adjusted against Securities Premium Account.

l. Impairment:

Impairment loss is recognised wherever the carrying amount of an assets is in excess of its recoverable amount and the same is recognised as an expense in the statement of Profit and Loss and carrying amount of the assets is reduced to its recoverable amount. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the assets no longer exist or have decreased.

m. Commodity hedging contracts :

The realized gain or loss in respect of commodity hedging contracts, the pricing period of which has expired during the year are recognized in Profit and Loss Account. However, in respect of contracts, the pricing period of which extends beyond the Balance Sheet date, provisions for net loss on mark to market basis is made.

n. Provisions, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the Notes on Accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

(Rs. in million)

| | 31.3.2012 | 31.3.2011 |
|---|---|---|
| **2. SHARE CAPITAL** | | |
| (a) AUTHORISED | | |
| 100,000,000 (Previous year 100,000,000) Equity Shares of Rs. 5 each | 500.00 | 500.00 |
| ISSUED | | |
| 56,296,500 (Previous year 56,296,500) Equity Shares of Rs. 5 each | 281.48 | 281.48 |
| SUBSCRIBED AND PAID UP | | |
| 56,296,500 (Previous year 56,296,500) Equity Shares of Rs. 5 each fully paid-up | 281.48 | 281.48 |
| Add: Forfeited Shares (Amount paid up) | 0.02 | 0.02 |
| | 281.50 | 281.50 |
| (b) Reconciliation of number of Shares (Nos.): | | |
| Outstanding at the beginning of the year | 56,296,500 | 56,296,500 |
| Outstanding at the end of the year | 56,296,500 | 56,296,500 |

(c) The Company has only one class of issued shares i.e. Equity Share having par value of Rs.5 per share. Each holder of Equity Share is entitled to one vote per share and equal right for dividend. The dividend proposed by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after payment of all preferential amounts, in proportion to their shareholding.

(d) The company does not have a holding company.

(e) Details of shareholders holding more than 5 percent equity shares:

| Name of the Shareholders | As at 31st March, 2012 | | As at 31st March, 2011 | |
|---|---|---|---|---|
| | No. of shares | % of Holding | No. of shares | % of Holding |
| Vardhan Limited | 25,733,079 | 45.71 | 24,732,876 | 43.93 |
| R V Investment & Dealers Limited | 3,210,120 | 5.70 | 3,210,120 | 5.70 |
| International Finance Corporation | 6,102,000 | 10.84 | 6,102,000 | 10.84 |
| Mega Resources Limited | 2,986,720 | 5.31 | 3,423,153 | 6.08 |

(f) No Shares have been reserved for issue under options and contracts/commitments for the sale of shares/disinvestment as at the Balance Sheet date.

(g) 18,765,500 Equity Shares of Rs. 5 each as fully paid up Bonus Shares were allotted on 11th January, 2008 by Capitalisation of Capital Redemption Reserve.

(h) None of the securities are convertible into shares at the end of the reporting period.

(i) No calls are unpaid by any Director or Officer of the Company during the year.

# NOTES TO FINANCIAL STATEMENTS

(Rs. in million)

| | 31.3.2012 | | 31.3.2011 | |
|---|---|---|---|---|
| **3. RESERVES & SURPLUS** | | | | |
| (a) CAPITAL RESERVE | | | | |
| As per last financial statements | | 34.17 | | 34.17 |
| (b) CAPITAL REDEMPTION RESERVE | | | | |
| As per last financial statements | | 9.67 | | 9.67 |
| (c) SECURITIES PREMIUM ACCOUNT | | | | |
| As per last financial statements | 634.26 | | 695.42 | |
| Less: Premium on redemption of FCCBs (net of Deferred Tax) | 41.56 | 592.70 | 61.16 | 634.26 |
| (d) GENERAL RESERVE | | | | |
| As per last financial statements | 1,181.84 | | 1,161.84 | |
| Add: Transfer from Surplus | 1,500.00 | 2,681.84 | 20.00 | 1,181.84 |
| (e) SURPLUS | | | | |
| Balance as per last Account | 91.51 | | 268.41 | |
| Add: As per annexed Statement of Profit & Loss | 3,056.21 | | 169.79 | |
| | 3,147.72 | | 438.20 | |
| Less: | | | | |
| Proposed Dividend on Equity Shares | 84.44 | | 281.48 | |
| Provision for Dividend Tax | 13.70 | | 45.21 | |
| Transfer to General Reserve | 1,500.00 | | 20.00 | |
| | 1,598.14 | 1,549.58 | 346.69 | 91.51 |
| Total | | 4,867.96 | | 1,951.45 |

| | Non-current | | Current maturities | |
|---|---|---|---|---|
| | 31.3.2012 | 31.3.2011 | 31.3.2012 | 31.3.2011 |
| **4. LONG-TERM BORROWINGS** | | | | |
| **SECURED** | | | | |
| (a) Term Loans | | | | |
| From Banks (Secured/to be secured by first charge and mortgage by deposit of title deeds of immovable properties and hypothecation of movable fixed assets, both present and future and pending creation of such security temporarily secured by pledge of units of mutual fund) | 639.49 | 1,150.55 | 71.05 | 313.96 |
| (Repayable in ten half yearly installments beginning from 3rd December, 2012) | | | | |
| Vehicle Financing from Banks (Secured by hypothecation of related vehicles.) | 1.90 | 3.24 | 1.89 | 4.45 |
| From Others | - | 468.75 | - | 156.25 |
| | 641.39 | 1,622.54 | 72.94 | 474.66 |
| **UNSECURED** | | | | |
| (b) Bonds | | | | |
| Foreign Currency Convertible Bonds | - | 893.00 | - | - |
| | 641.39 | 2,515.54 | 72.94 | 474.66 |
| Less: Amount disclosed under the head "other current liabilities" (Note no.10) | - | - | 72.94 | 474.66 |
| | 641.39 | 2,515.54 | - | - |

# NOTES TO FINANCIAL STATEMENTS

(Rs. in million)

| | 31.3.2012 | | 31.3.2011 | |
|---|---|---|---|---|
| **5. DEFERRED TAX LIABILITIES (NET)** | | | | |
| DEFERRED TAX LIABILITY | | | | |
| Depreciation | | 183.12 | | 673.74 |
| DEFERRED TAX ASSETS | | | | |
| Retirement Benefits | 12.60 | | 43.22 | |
| Premium on Redemption of FCCBs | - | | 85.81 | |
| Others | 0.57 | 13.17 | 6.90 | 135.93 |
| | | 169.95 | | 537.81 |
| **6. OTHER LONG-TERM LIABILITIES** | | | | |
| Security Deposits | | 1.47 | | 3.50 |

| **7. PROVISIONS** | Long-term | | Short-term | |
|---|---|---|---|---|
| | 31.3.2012 | 31.3.2011 | 31.3.2012 | 31.3.2011 |
| (a) Provision for employee benefits | | | | |
| For Gratuity | 29.87 | 104.24 | 2.25 | 10.47 |
| For Accrued Leave | 6.10 | 16.84 | 0.63 | 1.65 |
| (b) For Premium on Redemption of FCCBs | - | 382.40 | - | - |
| (c) Proposed Dividend | - | - | 84.44 | 281.48 |
| (d) Dividend Tax | - | - | 13.70 | 45.21 |
| | 35.97 | 503.48 | 101.02 | 338.81 |

| | 31.3.2012 | 31.3.2011 |
|---|---|---|
| **8. SHORT-TERM BORROWINGS** | | |
| **SECURED** | | |
| (a) From Banks | | |
| Working Capital Loans Repayable on Demand | - | 271.14 |
| Buyer's Credit | 540.53 | 217.96 |
| (Rs.244.59 million is secured against hypothecation by way of a subservient charge on all current assets and movable fixed assets of Ankleshwer plant and Rs. 295.94 million is secured by pledge of units of mutual funds) | | |
| **UNSECURED** | | |
| (b) From Banks | | |
| Working Capital Loans Repayable on Demand | - | 263.46 |
| Buyer's Credit | - | 42.62 |
| | 540.53 | 795.18 |
| **9. TRADE PAYABLES** | | |
| (a) Due to Micro, Small & Medium Enterprises | - | - |
| (b) Due to Others | 152.13 | 240.83 |
| | 152.13 | 240.83 |
| **10. OTHER CURRENT LIABILITIES** | | |
| (a) Current maturities of Long term debts | 72.94 | 474.66 |
| (b) Interest accrued but not due on borrowings | 9.59 | 8.94 |
| (c) Investor Education & Protection Fund shall be credited by | | |
| Unpaid Dividend | 3.42 | 2.19 |
| (d) Project liabilities | 42.50 | 25.83 |
| (e) Customers' Credit Balances | 0.64 | 42.91 |
| (f) Employee related liabilities | 12.65 | 56.20 |
| (g) Statutory liabilities | 4.22 | 21.02 |
| (h) Security & Trade deposits | 4.54 | 11.50 |
| (i) Other liabilities | 40.78 | 154.55 |
| | 191.28 | 797.80 |

# NOTES TO FINANCIAL STATEMENTS

## 11. FIXED ASSETS

(Rs. in million)

| PARTICULARS | GROSS BLOCK | | | | | DEPRECIATION | | | | IMPAIRMENT | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at 31.3.11 | Additions | Other adjustment (Borrowing Cost) | Sales and/or adjustment | As at 31.3.12 | As at 31.3.11 | For the Year | Sales and/or adjustment | Up to 31.3.12 | As at 31.3.11 | For the Year | Sales and/or adjustment | Up to 31.3.12 | As at 31.3.12 | As at 31.3.11 |
| **TANGIBLE ASSETS** | | | | | | | | | | | | | | | |
| Land & Site Development | 439.69 | 72.59 | - | 191.23 | 321.05 | - | - | - | - | - | - | - | - | 321.05 | 439.69 |
| Leasehold land & Site Development | 19.78 | - | - | 4.15 | 15.63 | 4.61 | 0.17 | 1.15 | 3.63 | - | - | - | - | 12.00 | 15.17 |
| Buildings | 1,270.44 | 48.91 | 3.21 | 951.33 | 371.23 | 277.35 | 12.24 | 230.55 | 59.04 | - | - | - | - | 312.19 | 993.09 |
| Plant & Machinery | 7,326.75 | 102.51 | 7.08 | 5,248.67 | 2,187.67 | 3,088.71 | 132.51 | 2,176.15 | 1,045.07 | 17.85 | - | - | 17.85 | 1,124.75 | 4,220.19 |
| Furniture & Fixture, Office & Laboratory Equipments etc. | 153.58 | 10.23 | 0.10 | 62.44 | 101.47 | 69.73 | 6.00 | 41.21 | 34.52 | - | - | - | - | 66.95 | 83.85 |
| Vehicles and Fork Lifts | 105.50 | 5.24 | - | 86.50 | 24.24 | 42.03 | 3.42 | 34.31 | 11.14 | - | - | - | - | 13.10 | 63.47 |
| Railway Siding & Weigh Bridge | 64.15 | - | - | 61.26 | 2.89 | 14.92 | 0.56 | 14.64 | 0.84 | - | - | - | - | 2.05 | 49.23 |
| | 9,379.89 | 239.48 | 10.39 | 6,605.58 | 3,024.18 | 3,497.35 | 154.90 | 2,498.01 | 1,154.24 | 17.85 | - | - | 17.85 | 1,852.09 | 5,864.69 |
| **INTANGIBLE ASSETS** | | | | | | | | | | | | | | | |
| Computer Software | 13.17 | 0.03 | - | 6.50 | 6.70 | 5.07 | 2.13 | 2.84 | 4.36 | - | - | - | - | 2.34 | 8.10 |
| | 9,393.06 | 239.51 | 10.39 | 6,612.08 | 3,030.88 | 3,502.42 | 157.03 | 2,500.85 | 1,158.60 | 17.85 | - | - | 17.85 | 1,854.43 | 5,872.79 |
| Capital Work-in-Progress | | | | | | | | | | | | | | 579.19 | 100.45 |
| Intangible Assets under Development | | | | | | | | | | | | | | 0.35 | - |
| **TOTAL** | | | | | | | | | | | | | | **2,433.97** | **5,973.24** |
| Figures for the corresponding Previous year | 8,513.81 | 1,138.72 | - | 259.47 | 9,393.06 | 3,282.87 | 410.33 | 190.78 | 3,502.42 | 17.85 | - | - | 17.85 | 5,973.24 | |

# NOTES TO FINANCIAL STATEMENTS

(Rs. in million)

| | | 31.3.2012 | | 31.3.2011 | |
|---|---|---|---|---|---|
| **12. INVESTMENTS NON CURRENT** | Face Value Rs. | No. | Amount | No. | Amount |
| OTHER INVESTMENTS (AT COST) | | | | | |
| a. INVESTMENT IN EQUITY INSTRUMENTS | | | | | |
| FULLY PAID UP (QUOTED) | | | | | |
| IFCI Ltd. | 10 | 200 | 0.01 | 200 | 0.01 |
| HDFC Bank Ltd.* | 2 | 2500 | 0.01 | 500 | 0.01 |
| Bank Of India | 10 | 9,000 | 0.40 | 9,000 | 0.40 |
| (UNQUOTED) | | | | | |
| Rishi (Gandhidham) Owner's Association (Rs. 100) | 100 | - | - | 1 | |
| Enviro Technology Ltd. | 10 | 10,000 | 0.10 | 10,000 | 0.10 |
| Bharuch Enviro Infrastructure Ltd. | 10 | 1,400 | 0.01 | 1,400 | 0.01 |
| Mittal Tower Premises Co-op. Society Ltd.(Rs. 250) | 50 | 5 | | 5 | |
| Narmada Clean Tech Limited (Formerly Bharuch Eco-Aqua Infrastructure Ltd.) | 10 | 822,542 | 8.23 | 822,542 | 8.23 |
| KCI Alco Chem Limited (Rs.500) | 5 | 100 | | 100 | |
| Woodlands Multispeciality Hospital Limited** | 10 | 2,180 | 0.02 | - | - |
| IN SUBSIDIARY COMPANY (Jointly held with Nominees) | | | | | |
| Pipri Ltd. | 10 | 4,650,550 | 48.01 | 4,650,550 | 48.01 |
| b. INVESTMENT IN GOVERNMENT SECURITIES (UNQUOTED) | | | | | |
| National Savings Certificates | | | - | | 0.03 |
| c. INVESTMENT IN DEBENTURES/BONDS | | | | | |
| FULLY PAID UP (QUOTED) | | | | | |
| 11.7% India Infoline Finance Limited | 1,000 | 50,000 | 50.00 | - | - |
| 11.9% India Infoline Finance Limited | 1,000 | 50,000 | 46.72 | - | - |
| 11.85% Shriram City Union Finance Limited | 1,000 | 35,122 | 35.33 | - | - |
| 12.25% Muthoot Finance Limited | 1,000 | 50,000 | 50.00 | - | - |
| 8.2% National Highways Authority of India | 1,000 | 24,724 | 24.72 | - | - |
| 8.1% Housing & Urban Development Corporation | 1,000 | 75,000 | 75.00 | - | - |
| (UNQUOTED) | | | | | |
| Woodlands Medical Centre Limited** | | | | | |
| 1/2% Registered Mortgaged Debentures | 100 | - | - | 78 | 0.01 |
| 5% Non-Redeemable Mortgaged Debentures | 14,000 | - | - | 1 | 0.01 |
| 13% Future Corporate Resources Ltd | 2,000,000 | 50 | 100.45 | - | - |
| 6% Indian Railway Finance Corporation | 100,000 | 1,500 | 144.41 | - | - |
| 17% Lily Realty Private Limited | 100,000 | 250 | 25.43 | - | - |
| 18% Lily Realty Private Limited | 100,000 | 250 | 25.47 | - | - |
| 19% Sheth Developers Private Limited | 100,000 | 500 | 50.80 | - | - |
| d. INVESTMENT IN VENTURE CAPITAL FUND | | | | | |
| IIFL Real Estate Fund | - | - | 12.50 | - | - |
| e. INVESTMENT IN MUTUAL FUNDS (QUOTED) | | | | | |
| Tata FMP Series 32 | 10 | 20,000,000 | 200.00 | - | - |
| Reliance Fixed Horizon Fund XIX Sr 20 | 10 | 25,000,000 | 250.00 | - | - |
| Reliance Fixed Horizon Fund XIX Sr 21 | 10 | 20,000,000 | 200.00 | - | - |
| ICICI Prudential FMP Series 58 | 10 | 20,000,000 | 200.00 | - | - |
| BNP Paribas FTF Series 22 | 10 | 15,000,000 | 150.00 | - | - |
| Kotak FMP Series 55 | 10 | 15,000,000 | 150.00 | - | - |
| Franklin India Blue Chip Fund | 10 | 117,758 | 25.00 | - | - |
| ICICI Prudential Dynamic Fund | 10 | 443,038 | 45.00 | - | - |
| HDFC Top 200 Fund | 10 | 195,323 | 40.00 | - | - |
| DSP Blackrock Equity Fund | 10 | 3,078,550 | 50.00 | - | - |
| Fidelity Equity Fund | 10 | 1,328,940 | 45.00 | - | - |
| | | | 2,052.62 | | 56.82 |

# NOTES TO FINANCIAL STATEMENTS

(Rs. in million)

| | Face Value Rs. | 31.3.2012 No. | 31.3.2012 Amount | 31.3.2011 No. | 31.3.2011 Amount |
|---|---|---|---|---|---|
| **CURRENT** | | | | | |
| a. INVESTMENT IN EQUITY INSTRUMENTS | | | | | |
| FULLY PAID UP (UNQUOTED) | | | | | |
| Minerva Flavours and Fragrance Private Limited | 10 | - | - | 1,099,623 | 10.99 |
| b. INVESTMENT IN COMMERCIAL PAPERS | | | | | |
| Muthoot Finance Limited | 500,000 | 500 | 242.27 | - | - |
| Tata Capital Limited | 500,000 | 300 | 148.96 | - | - |
| India Infoline Finance Limited | 500,000 | 700 | 348.00 | - | - |
| Reliance Capital Limited | 500,000 | 200 | 99.32 | - | - |
| c. INVESTMENT IN MUTUAL FUNDS (QUOTED) | | | | | |
| BSL Floating Rate Fund-STP | 100 | 835,414 | 83.55 | - | - |
| Tata FMP Series 35A | 10 | 50,000,000 | 500.00 | - | - |
| | | | 1,422.10 | | 10.99 |

| | 31.3.2012 Book Value | 31.3.2012 Market Value | 31.3.2011 Book Value | 31.3.2011 Market Value |
|---|---|---|---|---|
| Aggregate amount of:- | | | | |
| Quoted Investments | 2,220.73 | 2,339.44 | 0.42 | 5.46 |
| Unquoted Investments | 1,253.99 | - | 67.39 | - |
| | 3,474.72 | | 67.81 | |

*Sub division of equity share of face value Rs. 10 each into 5 equity share of Rs. 2 each

**Debentures has been converted into equity shares of Rs. 10 each at par

## 13. LOANS AND ADVANCES

| | Long-term 31.3.2012 | Long-term 31.3.2011 | Short-term 31.3.2012 | Short-term 31.3.2011 |
|---|---|---|---|---|
| (a) Capital Advances | | | | |
| Unsecured, Considered Good | 4.57 | 4.67 | - | - |
| (b) Security Deposits | | | | |
| Unsecured, Considered Good | 26.24 | 19.70 | 6.41 | 10.31 |
| Doubtful | - | - | - | 0.73 |
| Provision for doubtful deposits | - | - | - | (0.73) |
| (c) Loans and Advances to related parties | | | | |
| Unsecured, Considered Good | 1.20 | 1.32 | - | - |
| (d) Advances Recoverable in cash or in kind | | | | |
| Unsecured, Considered Good | 0.29 | 0.23 | 22.54 | 128.33 |
| Doubtful | - | - | - | 0.13 |
| Under Litigation | - | - | - | 1.52 |
| Provision for doubtful/litigation advances | - | - | - | (1.65) |
| (e) Other Loans and Advances | | | | |
| Loans to Employees | 0.42 | 0.32 | 1.61 | 1.93 |
| Assets held for disposal | - | - | - | 4.14 |
| Balance with Central Excise and other Government Authorities | - | - | 64.49 | 76.37 |
| Income & Wealth Tax Payments and Tax Deducted at Source less Provision | - | - | 221.37 | 66.34 |
| | 32.72 | 26.24 | 316.42 | 287.42 |

# NOTES TO FINANCIAL STATEMENTS

(Rs. in million)

| | 31.3.2012 | 31.3.2011 |
|---|---|---|
| **14. INVENTORIES** | | |
| (as certified by the Management) | | |
| (a) Stores and Spare Parts etc. | 26.16 | 133.16 |
| (At Cost or net realisable value whichever is lower) | | |
| (b) Coal and Fuel at Power Plant | - | 49.91 |
| (At Cost or net realisable value whichever is lower) | | |
| (c) Raw Materials | 69.45 | 290.77 |
| (At Cost or net realisable value whichever is lower) | | |
| (d) Finished Goods | 82.38 | 135.25 |
| (At Cost or net realisable value, whichever is lower and in case of products, where cost cannot be ascertained, at net realisable value) | | |
| (e) Work-in-Process | 18.41 | 43.12 |
| (At Raw Material Cost and/or at cost or net realisable value, whichever is lower) | | |
| (f) Power banked with UPPCL (At Cost) | - | 0.41 |
| | 196.40 | 652.62 |
| **15. TRADE RECEIVABLES** | | |
| (a) Outstanding for a period exceeding six months | | |
| Secured, Considered Good | - | 0.25 |
| Unsecured, Considered Good | 1.96 | 30.16 |
| Doubtful | 0.65 | 6.70 |
| Under Litigation | 1.09 | 11.95 |
| Provision for Doubtful/litigation | (1.74) | (18.65) |
| | 1.96 | 30.41 |
| (b) Other receivables | | |
| Secured, Considered Good | - | 0.19 |
| Unsecured, Considered Good | 287.62 | 622.17 |
| | 287.62 | 622.36 |
| | 289.58 | 652.77 |
| **16. CASH AND BANK BALANCES** | | |
| **CASH AND CASH EQUIVALENTS** | | |
| (a) Cash Balance on hand (as certified) | 0.43 | 0.66 |
| (b) Drafts/T.T in transit/Cheques in hand | - | 10.30 |
| (c) Balances with Scheduled Banks | | |
| In Current Account | 26.40 | 31.81 |
| In Current Account (Foreign Currency) | 0.78 | 0.68 |
| In Cash Credit Account | 0.86 | - |
| In Fixed deposit within 3 months maturity | 136.64 | 180.09 |
| **OTHER BANK BALANCES** | | |
| In Unpaid Dividend Account | 3.42 | 2.19 |
| In Fixed deposit (Receipt deposited as security) | 0.97 | 3.43 |
| In Fixed deposit 3 to 12 months maturity | - | 22.40 |
| | 169.50 | 251.56 |
| **17. OTHER CURRENT ASSETS** | | |
| (a) Interest and Dividend Receivable | | |
| Unsecured, Considered Good | 23.97 | 2.58 |
| (b) Export Benefits and Claims Receivable | | |
| Unsecured, Considered Good | 45.92 | 51.66 |
| Doubtful | - | 0.21 |
| Provision for doubtful claims | - | (0.21) |
| | 69.89 | 54.24 |

# NOTES TO FINANCIAL STATEMENTS

(Rs. in million)

| | 2011-2012 | | 2010-2011 | |
|---|---|---|---|---|
| **18. REVENUE FROM OPERATIONS** | | | | |
| (a) Sale of Products | | | | |
| Caustic Soda 100% (NaOH) | 268.78 | | 1,410.62 | |
| Stable Bleaching Powder | 35.17 | | 211.92 | |
| Chlorinated Paraffins | 88.49 | | 438.96 | |
| Power Generation | 67.86 | | 421.91 | |
| Aluminium Chloride | 106.16 | | 578.86 | |
| Pentaerythritol | 662.09 | | 554.98 | |
| Formaldehyde(37%) | 836.33 | | 404.66 | |
| Hexamine | 469.57 | | 300.62 | |
| Others | 615.04 | | 922.19 | |
| Traded Goods | - | 3,149.49 | 1.26 | 5,245.98 |
| (b) Other Operating Revenues | | | | |
| Miscellaneous Sales | 18.79 | | 25.13 | |
| Insurance and other claims | 1.45 | | 11.31 | |
| Export benefits | 6.58 | 26.82 | 28.35 | 64.79 |
| Gross Revenue from Operations | | 3,176.31 | | 5,310.77 |
| (c) Excise Duty | | 268.99 | | 384.34 |
| | | 2,907.32 | | 4,926.43 |
| Less: Revenue from trial-run Production | | 2.32 | | 9.40 |
| Net Revenue from Operations | | 2,905.00 | | 4,917.03 |
| **19. OTHER INCOME** | | | | |
| **Interest Income** | | | | |
| On long term Investments | 35.93 | | - | |
| On Current Investments | 36.55 | | - | |
| From Others | 14.72 | 87.20 | 7.01 | 7.01 |
| **Dividend Income** | | | | |
| On long term Investments (Including dividend from Subsidiary Company Rs. 2.79 million) | 2.87 | | 0.08 | |
| On Current Investments | 104.24 | 107.11 | - | 0.08 |
| **Net gain on Sale of Investments** | | | | |
| On Current Investments | | 11.68 | | - |
| Rent Income | | 4.11 | | 3.94 |
| Liabilities no longer required written back | | 6.44 | | 8.47 |
| Other receipts | | 2.22 | | 2.54 |
| | | 218.76 | | 22.04 |
| **20. COST OF MATERIAL CONSUMED** | | | | |
| **Raw Material consumption** | | | | |
| Salt | 39.45 | | 250.99 | |
| Aluminium Ingot | 46.06 | | 320.39 | |
| Normal Paraffin | 53.96 | | 287.18 | |
| Methanol | 1,025.61 | | 550.87 | |
| Molasses | 233.73 | | 181.68 | |
| Others | 333.26 | 1,732.07 | 397.79 | 1,988.90 |
| **Less: Transfer to Capital Work in progress** | | | | |
| Methanol | 1.26 | | 5.51 | |
| Others | 0.61 | 1.87 | 0.09 | 5.60 |
| | | 1,730.20 | | 1,983.30 |

# NOTES TO FINANCIAL STATEMENTS

(Rs. in million)

| | 2011-2012 | | 2010-2011 | |
|---|---|---|---|---|
| **21. PURCHASES** | | | | |
| Liquid Chlorine | | - | | 0.25 |
| Methanol | | - | | 88.98 |
| | | - | | 89.23 |
| **22. CHANGE IN INVENTORIES** | | | | |
| **Opening Stock** | Finished Goods | Work-in-Process | Finished Goods | Work-in-Process |
| Caustic Soda 100% (NaOH) | 14.68 | 6.58 | 18.99 | 6.82 |
| Stable Bleaching Powder | 2.86 | 0.14 | 4.06 | 0.13 |
| Chlorinated Paraffins | 35.11 | - | 22.05 | - |
| Aluminium Chloride | 39.44 | 8.94 | 18.39 | 7.07 |
| Pentaerythritol | 9.58 | 3.78 | 19.16 | 3.28 |
| Formaldehyde (37%) | 6.36 | - | 6.23 | - |
| Hexamine | - | 0.96 | 0.18 | 0.87 |
| Others | 27.63 | 22.72 | 44.20 | 19.80 |
| | 135.66 | 43.12 | 133.26 | 37.97 |
| **Deduct:** | | | | |
| **Transferred on Sale of Chloro Chemicals Business** | | | | |
| Caustic Soda 100% (NaOH) | 18.60 | 4.52 | - | - |
| Stable Bleaching Powder | 1.03 | 0.14 | - | - |
| Chlorinated Paraffins | 31.33 | - | - | - |
| Aluminium Chloride | 15.51 | 9.14 | - | - |
| Others | 4.66 | 4.85 | - | - |
| | 71.13 | 18.65 | - | - |
| **Closing stock** | | | | |
| Caustic Soda 100% (NaOH) | - | - | 14.68 | 6.58 |
| Stable Bleaching Powder | - | - | 2.86 | 0.14 |
| Chlorinated Paraffins | - | - | 35.11 | - |
| Aluminium Chloride | - | - | 39.44 | 8.94 |
| Pentaerythritol | 14.77 | 5.06 | 9.58 | 3.78 |
| Formaldehyde (37%) | 12.25 | - | 6.36 | - |
| Hexamine | 3.72 | 2.36 | - | 0.96 |
| Others | 51.63 | 10.99 | 27.63 | 22.72 |
| | 82.37 | 18.41 | 135.66 | 43.12 |
| | (17.84) | 6.06 | (2.40) | (5.15) |
| Change in Excise Duty on Stocks | (4.95) | - | (0.71) | - |
| | (22.79) | 6.06 | (3.11) | (5.15) |
| Total | (16.73) | | (8.26) | |
| **23. EMPLOYEES BENEFITS EXPENSE** | | | | |
| Salaries, Wages, Bonus & Gratuity etc. (including payments to Contractors) | | 172.27 | | 335.75 |
| Contribution to Provident Fund | | 8.63 | | 21.18 |
| Welfare Expenses | | 14.26 | | 25.68 |
| | | 195.16 | | 382.61 |
| Less: Transfer to Capital work in progress | | 0.95 | | 7.05 |
| | | 194.21 | | 375.56 |
| **24. FINANCE COST** | | | | |
| Interest expense | | 126.50 | | 263.17 |
| Other borrowing Costs | | 6.48 | | 44.99 |
| Net gain/loss on foreign currency transaction attributable as adjustment to interest cost | | 9.40 | | - |
| | | 142.38 | | 308.16 |
| Less: Transfer to capital work in progress | | 6.37 | | 75.51 |
| | | 136.01 | | 232.65 |
| **25. DEPRECIATION AND AMORTISATION** | | | | |
| Depreciation | | 154.90 | | 407.16 |
| Amortisation | | 2.13 | | 3.17 |
| | | 157.03 | | 410.33 |

# NOTES TO FINANCIAL STATEMENTS

(Rs. in million)

| | 2011-2012 | | 2010-2011 | |
|---|---|---|---|---|
| **26. OTHER EXPENSES** | | | | |
| Consumption of Stores & Spare parts etc. | | 76.18 | | 157.77 |
| Other Manufacturing Expenses | | 20.48 | | 14.33 |
| Power & Fuel | | 410.69 | | 864.10 |
| Repairs to | | | | |
| Plant & Machinery | | 58.41 | | 133.61 |
| Buildings | | 7.98 | | 22.50 |
| Others | | 8.57 | | 11.93 |
| Water Charges & Cess | | 16.41 | | 17.13 |
| Rates & Taxes (including Provision for wealth tax Rs. 0.06 million) (Previous Year Rs.0.13 million) | | 4.59 | | 5.22 |
| Rent | | 9.56 | | 15.94 |
| Insurance | | 6.80 | | 18.29 |
| Legal and Professional Charges | | 26.35 | | 20.25 |
| Miscellaneous Expenses | | 44.71 | | 72.49 |
| Foreign Exchange Rate Fluctuation | | 5.90 | | 0.87 |
| Commission & Brokerage to Others | | 12.64 | | 30.84 |
| Freight, Handling & Other Charges | | 35.94 | | 161.04 |
| Directors' Fees | | 0.79 | | 0.49 |
| Travelling Expenses (including Directors' Travelling Rs. 6.67 million) (Previous Year Rs. 5.46 million) | | 15.84 | | 21.24 |
| Charity & Donations | | 0.15 | | 0.22 |
| Sales/Turnover Tax (net) | | 0.00 | | 0.03 |
| Payment to Auditors: | | | | |
| (a) Statutory Auditors | | | | |
| Audit Fees | 0.60 | | 0.85 | |
| For Certificates & Others | 0.56 | | 0.70 | |
| For Travelling and out of pocket expenses | 0.18 | | 0.29 | |
| (b) Cost Auditors | | | | |
| Audit Fees | 0.10 | | 0.09 | |
| For Travelling and out of pocket expenses | 0.01 | | 0.01 | |
| (c) Tax Auditors | | | | |
| Audit Fees | 0.10 | 1.55 | 0.12 | 2.06 |
| Directors' Remuneration | | 18.28 | | 22.34 |
| Provision for bad & doubtful Debts & Advances (net) | | (7.13) | | (5.47) |
| Unrealised Debts and Claims written off | | 15.23 | | 9.79 |
| Loss on Fixed Assets sold/discarded (Net) | | 8.89 | | 55.57 |
| Previous Years Adjustments (Net) | | 1.37 | | 0.12 |
| | | 800.18 | | 1,652.70 |
| Less: Transfer to Capital work in progress | | | | |
| Power & Fuel | 0.25 | | 4.24 | |
| Repairs & Maintenance to others | 0.04 | | 0.93 | |
| Rates & Taxes | 0.00 | | 0.18 | |
| Rent | 0.00 | | 0.11 | |
| Insurance premium | 0.20 | | 0.44 | |
| Legal & Professional Charges | 9.72 | | 1.61 | |
| Miscellaneous expenses | 0.83 | | 2.33 | |
| Travelling expenses | 0.65 | 11.69 | 2.56 | 12.40 |
| | | 788.49 | | 1,640.30 |

## 27. EXCEPTIONAL ITEMS CONSIST OF

i) The gain/(loss) arising from the effect of change in the foreign exchange rates on revaluation of the outstanding Foreign Currency Convertible Bonds (FCCB) & premium thereon, together with gain/(loss) on remittance/reinstatement of FCCB bank balances which existed during previous year, as calculated pursuant to the requirement of Accounting Standard (AS) 11 Rs. (9.25) million (Previous Year Rs. (1.56) million).

ii) Profit on Sale of Chloro Chemicals Division of the Company Rs. 3,579.62 million (Previous Year Rs. Nil).

(Rs. in million)

| | 2011-2012 | 2010-2011 |
|---|---|---|
| **28. EARNINGS PER SHARE** | | |
| (a) Net Profit available to Equity Shareholders | 3,056.21 | 169.79 |
| (b) Weighted average number of Equity Shares for EPS calculation | | |
| Number of Equity Shares for basic EPS | 56,296,500 | 56,296,500 |
| Number of potential Equity Shares on conversion of FCCBs | - | 20,682,090 |
| Number of Equity Shares for Diluted EPS | 56,296,500 | 76,978,590 |
| (c) Earnings per Share | | |
| Basic (Rupees) | 54.29 | 3.02 |
| Diluted (Rupees) | 54.29 | 2.21 |

## 29. CONTINGENT LIABILITIES AND COMMITMENTS

**(to the extent not provided for)**

(i) Contingent Liabilities

(a) Claims/Disputed liabilities not acknowledged as debt

| Nature of Contingent Liability | Status Indicating Uncertainties | | |
|---|---|---|---|
| Demand notice issued by Central Excise Department | The matter is pending with Asstt. Commissioner of Central Excise | - | 1.20 |
| Demand notices issued by Central Excise Department | The matter is pending with Allahabad High Court | - | 0.95 |
| Demand notices issued by Central Excise Department | The matter is pending with Commissioner (Appeal) | 4.52 | 8.67 |
| Demand notices issued by Central Excise Department | The matter is pending with CESTAT | - | 69.99 |
| Demand notice issued by Custom Department | The matter is pending with Asstt. Commissioner of Custom | - | 0.43 |
| Entry tax demand issued by assessing authority | The matter is pending with Allahabad High Court | - | 9.06 |
| Sales tax/VAT demands issued by assessing authority | The matter is pending with Allahabad High Court | - | 4.51 |
| Sales tax/VAT demands issued by assessing authority | The matter is pending with Trade Tax Tribunal (paid Rs. 0.43 million) | 0.43 | 0.43 |
| Income tax demands issued by DCIT | The matter is pending with CIT (Appeal) | 128.13 | 175.99 |
| (b) Outstanding Bank Guarantees | | 16.86 | 73.59 |
| (c) Corporate Guarantee given to Gujarat Industrial Development Corporation for securing loan by Bharuch Eco -Aqua Infrastructure Limited. | | 11.63 | 11.63 |
| (ii) Commitments | | | |
| Estimated amount of contracts remaining to be executed on capital account and not provided for | | 102.10 | 27.07 |
| Advances paid | | 4.57 | 4.67 |

# NOTES TO FINANCIAL STATEMENTS

(Rs. in million)

| | 2011-2012 | 2010-2011 |
|---|---|---|
| **30. C.I.F. VALUE OF IMPORTS** | | |
| Raw Materials | 302.31 | 348.22 |
| Stores and Spares | 43.52 | 37.55 |
| Capital Goods | 335.68 | 57.79 |
| Others | - | 84.71 |
| **31. EXPENDITURE IN FOREIGN CURRENCY (PAID/PROVIDED)** | | |
| Travelling | 2.56 | 1.89 |
| Commission | 0.31 | 1.28 |
| Finance/Bank Charges | 1.27 | 1.21 |
| Premium on Redemption of FCCBs | 61.53 | 90.53 |
| Professional Charges | 0.35 | 2.01 |
| Technical know how | - | 5.18 |
| Others | 1.37 | 2.52 |
| **32. EARNINGS IN FOREIGN CURRENCY** | | |
| F.O.B. Value of Exports | 145.50 | 466.50 |
| Others | - | 2.50 |
| **33.** In the absence of revaluation reserve, depreciation on revalued assets has been charged to Profit & Loss Account. | 0.93 | 3.34 |

**34.** For the year ended 31st March, 2012, the Board of Directors of the Company have recommended dividend of Rs.1.50 per share (Previous year Rs. 5 per share) to equity shareholders aggregating to Rs. 84.44 million (Previous year Rs. 281.48 million). Together with the Corporate Dividend Distribution Tax of Rs.13.70 million (Previous year Rs. 45.21 million), the total payout will be Rs.98.14 million (Previous year Rs. 326.69 million).

**35.** There are no Micro, Small & Medium Enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2012. This information required to be disclosed under the Micro, Small & Medium enterprises Development Act, 2006, has been determined to the extent such parties have been identified on the basis of information available with the company.

**36.** Due to inadequacy of profits as per Section 349 of the Companies Act, 1956 (the Act), the remuneration paid to Managing Director during the period from 1st April, 2011 to 9th January, 2012, exceeds the limit prescribed under Section 309 read with the Schedule XIII of the Act, by Rs. 3.52 million. The Company has initiated steps to obtain the approvals for the same from the shareholders in the ensuing Annual General Meeting and the Central Government, as required.

The remuneration of Rs. 2.53 million paid to Managing Director for the period from 10th January, 2012 to 31st March, 2012 (on his re-appointment), is subject to the approval of the shareholders in the ensuing Annual General Meeting, and further the same is subject to the approval of the Central Government.

# NOTES TO FINANCIAL STATEMENTS

## 37. SEGMENT REPORTING

**(A) Primary Segment Information (by Business Segment)**

(Rs. in million)

| Business Segment | 2011-2012 | | | 2010-2011 | | |
|---|---|---|---|---|---|---|
| | Chloro Chemicals | Alco Chemicals | Total | Chloro Chemicals | Alco Chemicals | Total |
| **Segment Revenue** | | | | | | |
| Revenue from operations (net of excise) | 599.33 | 2,305.67 | 2,905.00 | 3,289.00 | 1,628.03 | 4,917.03 |
| **Segment Result** | | | | | | |
| (Profit before Interest & Tax) | 114.00 | 38.45 | 152.45 | 495.78 | 46.96 | 542.74 |
| Less: (i) Interest & Finance Charges | | | 136.01 | | | 232.65 |
| (ii) Other Un-allocable expenditure net off Un-allocable income (including exceptional items) | | | (3,688.48) | | | 95.69 |
| Profit before Tax | | | 3,704.92 | | | 214.40 |
| Add: Taxation for earlier year | | | 0.02 | | | - |
| Less: Provision for Taxation -Current | | | 1,055.53 | | | 42.29 |
| -Deferred | | | (347.90) | | | 2.32 |
| Add: MAT credit entitlement | | | 58.90 | | | - |
| **Net Profit:** | | | **3,056.21** | | | **169.79** |
| **Other Information** | | | | | | |
| Segment Assets | - | 2,424.45 | 2,424.45 | 5,106.41 | 2,434.39 | 7,540.80 |
| Un-allocable Corporate Assets | | | 4,558.75 | | | 425.10 |
| **Total Assets:** | | | **6,983.20** | | | **7,965.90** |
| Segment Liabilities | - | 234.77 | 234.77 | 471.33 | 177.35 | 648.68 |
| Un-allocable Corporate Liabilities | | | 174.16 | | | 761.08 |
| **Total Liabilities:** | | | **408.93** | | | **1,409.76** |
| Segment Capital Employed | - | 2,189.68 | 2,189.68 | 4,635.08 | 2,257.04 | 6,892.12 |
| Un-allocable Capital Employed | | | 4,384.59 | | | (335.98) |
| **Total Capital Employed:** | | | **6,574.27** | | | **6,556.14** |
| Capital Expenditure | - | 190.26 | 190.26 | 79.86 | 1,040.28 | 1,120.14 |
| Un-allocable Capital Expenditure | | | 59.64 | | | 18.58 |
| **Total Capital Expenditure:** | | | **249.90** | | | **1,138.72** |
| Depreciation & Amortisation | 46.04 | 105.54 | 151.58 | 327.82 | 77.60 | 405.42 |
| Un-allocable Depreciation | | | 5.45 | | | 4.91 |
| **Total Depreciation & Amortisation:** | | | **157.03** | | | **410.33** |
| Other Non-cash expenses | - | - | - | - | - | - |

**(B) Secondary Segment information (by Geographical demarcation)**

| Geographical Segment -------> | 2011-2012 | | | 2010-2011 | | |
|---|---|---|---|---|---|---|
| | India | Rest of the World | Total | India | Rest of the World | Total |
| Segment Revenue | 2,749.00 | 156.00 | 2,905.00 | 4,425.63 | 491.40 | 4,917.03 |
| Segment Assets | 6,979.40 | 3.80 | 6,983.20 | 7,930.85 | 35.05 | 7,965.90 |
| Segment Liabilities | 408.83 | 0.10 | 408.93 | 1,408.58 | 1.18 | 1,409.76 |
| Capital Expenditure | 249.90 | - | 249.90 | 1,138.72 | - | 1,138.72 |

**(C) Other Disclosures**

**Basis of pricing inter/Intra segment transfer and any change therein:**

At prevailing market-rate at the time of transfers.

**Segment Accounting Policies**

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company.

**Type of products included in each reported business segment:**

Chloro Chemicals business includes Caustic Soda, Liquid Chlorine, Hydrochloric Acid, Stable Bleaching Powder, Chlorinated Paraffins, Poly Aluminium Chloride, Captive Power, Aluminium Chloride, Salt etc. and Alco Chemicals business includes Pentaerythritol, Sodium Formate, Acetaldehyde, Formaldehyde, Hexamine, Industrial Alcohol, Acetic Acid & Ethyl Acetate etc.

# NOTES TO FINANCIAL STATEMENTS

(Rs. in million)

**38.** As per Business Transfer Agreement dated 16th April, 2011 the Company has divested its Chloro Chemicals Division at the close of business hours on 23rd May, 2011 for a Cash consideration of Rs. 8.3 billion. In line with the requirement of Accounting Standard 24 on Discontinued Operations, the following statement shows the revenue and expenses of this division which are included in the Statement of Profit & Loss :

| | 2011-2012 | 2010-2011 |
|---|---|---|
| Total Revenue | 606.10 | 3,300.61 |
| Cost of Raw Materials consumed | 178.89 | 1,068.12 |
| Purchases of Stock-in Trade | - | 0.25 |
| Changes in Inventories | 31.57 | (24.44) |
| Employee Benefits expenses | 39.81 | 233.23 |
| Finance Costs | 57.96 | 206.86 |
| Depreciation & Amortisation | 46.04 | 327.82 |
| Other Expenses | 195.79 | 1,199.85 |
| Profit before Tax | 56.04 | 288.92 |
| Tax expense | 18.18 | 57.58 |
| Profit after Tax | 37.86 | 231.34 |

**39.** Disclosure as required by Accounting Standard 15 (Revised) on Employee Benefits: -

In respect of Leave Encashment & Gratuity, a defined benefit scheme (based on Actuarial Valuation)-

| | 2011-2012 | | 2010-2011 | |
|---|---|---|---|---|
| Description | Leave Encashment | Gratuity | Leave Encashment | Gratuity |
| **Change in Obligation over the year ended 31-03-2012** | | | | |
| - Present Value of Defined Benefit Obligation as on 01-04-2011 | 18.49 | 114.71 | 16.64 | 93.88 |
| - Employer Service Cost | 0.35 | 6.68 | 1.56 | 6.67 |
| - Interest Cost | 1.22 | 3.44 | 1.40 | 8.35 |
| - Curtailment Cost / (Credit) | - | - | - | - |
| - Settlement Cost / (Credit) | - | - | - | - |
| - Plan Amendments | - | - | - | - |
| - Acquisitions | - | - | - | - |
| - Actuarial (gains) / losses | 1.02 | (2.33) | 1.22 | 16.15 |
| - Benefits paid | (3.35) | (4.80) | (2.33) | (10.34) |
| | 17.73 | 117.70 | 18.49 | 114.71 |
| - Transferred on Sale of Chloro Chemicals Business | 11.00 | 85.58 | - | - |
| - Present Value of Defined Benefit Obligation as on 31-03-2012 | 6.73 | 32.12 | 18.49 | 114.71 |
| **Expenses recognized during the year 2011-12** | | | | |
| - Employer Expenses | 0.35 | 6.68 | 1.56 | 6.67 |
| - Interest Cost | 1.22 | 3.44 | 1.40 | 8.35 |
| - Curtailment Cost / (Credit) | - | - | - | - |
| - Settlement Cost / (Credit) | - | - | - | - |
| - Actuarial (gains) / losses | 1.02 | (2.33) | 1.22 | 16.15 |
| **Total** | **2.59** | **7.79** | **4.18** | **31.17** |

**Principal Actuarial Assumptions**

| | | |
|---|---|---|
| Discount rate (based on the market yields available on Government bonds at the accounting date with a term that matches that of the liabilities) | 8.00% | 8.00% |
| Salary increase (taking into account inflation, seniority, promotion and other relevant factors) | 6% | 5% |

The Company has unfunded scheme for payment of gratuity to all eligible employees calculated at specified number of days of last drawn salary depending upon tenure of service for each year of completed service subject to minimum five years of service payable at the time of separation upon superannuation or on exit otherwise.

In respect of Defined contribution schemes -

The guidance notes on implementation of AS-15 (revised) issued by the ICAI states that provident fund set up by the employers, which require interest shortfall to be met by the employers, needs to be treated as defined benefit plan. The fund set up by the Company does not have existing deficit of interest shortfall. With regard to future obligation arising due to interest shortfall, pending issuance of the guidance notes from Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the provident fund liability. The Company contributes 12% of salary for all eligible employees towards Provident Fund managed either by approved trusts or by the Central Government. The amount debited to Profit and Loss account during the year was Rs. 8.58 million (previous year Rs. 20.81 million).

(Rs. in million)

## 40. RELATED PARTY DISCLOSURES

(i) List of related parties over which control exists and relationship with whom transaction taken place:

| Name of the Related Parties | Relationship |
|---|---|
| 1. Pipri Limited | Wholly Owned Subsidiary |
| 2. Mr. R. V. Kanoria - Chairman & Managing Director<br>3. Mr. J. P. Sonthalia - Managing Director (Designate)-Chloro Chemicals*<br>4. Mr. T. D. Bahety - Whole Time Director | Key Management Personnel |
| 5. Mr. S. V. Kanoria<br>6. Mrs. V. Kanoria | Relative of Key Management Personnel |
| 7. KPL International Limited | Enterprises over which Key Management Personnel exercises significant influence |

* Till16th August, 2011

(ii) Transaction with related parties:

| | 2011-2012 | | | | 2010-2011 | | | |
|---|---|---|---|---|---|---|---|---|
| Nature of Transaction | Subsidiary | Key Management Personnel | Relative of Key Management Personnel | Enterprises over which Key Management Personnel exercises significant influence | Subsidiary | Key Management Personnel | Relative of Management Personnel | Enterprises over which Key Management Personnel exercises significant influence |
| Dividend Received | | | | | | | | |
| Pipri Limited | 2.79 | - | - | - | - | - | - | - |
| Remuneration | | | | | | | | |
| Mr. R. V. Kanoria | - | 10.20 | - | - | - | 10.52 | - | - |
| Mr. J. P. Sonthalia | - | 3.77 | - | - | - | 5.79 | - | - |
| Mr. T. D. Bahety | - | 4.31 | - | - | - | 6.03 | - | - |
| Mr. S. V. Kanoria* | - | - | 3.68 | - | - | - | 3.21 | - |
| Mrs. V. Kanoria | - | - | 1.04 | - | - | - | 0.27 | - |
| Dividend Paid | | | | | | | | |
| Mr. R. V. Kanoria | - | 2.17 | - | - | - | 0.65 | - | - |
| Mr. S. V. Kanoria | - | - | 2.78 | - | - | - | 0.83 | - |
| Others | - | 0.02 | - | - | - | 0.00 | - | - |
| Sale of Fixed Assets/Goods | | | | | | | | |
| KPL International Ltd. | - | - | - | 2.30 | - | - | - | 3.65 |
| Commission Paid | | | | | | | | |
| KPL International Ltd. | - | - | - | - | - | - | - | 0.02 |
| Rent received | | | | | | | | |
| KPL International Ltd. | - | - | - | 0.59 | - | - | - | 1.34 |
| Rent Paid | | | | | | | | |
| KPL International Ltd. | - | - | - | 3.04 | - | - | - | 3.27 |
| Security Deposit Received | | | | | | | | |
| KPL International Ltd. | - | - | - | (0.24) | - | - | - | 0.05 |
| Security Deposit Paid | | | | | | | | |
| KPL International Ltd. | - | - | - | (0.36) | - | - | - | - |
| Balances due from | - | - | - | 1.20 | - | - | - | 1.32 |
| Balances due to | - | - | 0.45 | 0.05 | - | 6.20 | 0.34 | 0.02 |

* Current year increment of Rs.0.47 million is subject to approval of central Government.

# NOTES TO FINANCIAL STATEMENTS

## 41. CONSUMPTION OF RAW MATERIALS AND SPARES & COMPONENTS

(Rs. in million)

| | Consumption of Raw Materials | | | | Consumption of Spares and Components | | | |
|---|---|---|---|---|---|---|---|---|
| | 2011-2012 | | 2010-2011 | | 2011-2012 | | 2010-2011 | |
| | | % | | % | | % | | % |
| Imported | 413.88 | 24 | 330.55 | 17 | 39.10 | 66 | 29.70 | 39 |
| Indigenous | 1,316.32 | 76 | 1,652.75 | 83 | 20.39 | 34 | 46.92 | 61 |
| | 1,730.20 | 100 | 1,983.30 | 100 | 59.49 | 100 | 76.62 | 100 |

**42.** The financial statements for the year ended 31st March, 2011 had been prepared as per the applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31st March,2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements except for accounting for dividend on investments in subsidiaries.

Signatures to Notes 1 to 42

For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518

Camp: New Delhi
Dated, the 11th day of May 2012

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

# AUDITORS' REPORT

**To the Board of Directors of Kanoria Chemicals & Industries Limited on the Consolidated Financial Statements of Kanoria Chemicals & Industries Limited and it's Subsidiary.**

1. We have examined the attached Consolidated Balance Sheet of **KANORIA CHEMICALS & INDUSTRIES LIMITED** (the company) and its subsidiary (the group) as at 31st March, 2012 the Consolidated Statement of Profit and Loss for the year then ended and also the Consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the company's Management and have been prepared on the basis of the separate financial statement and other financial information regarding component. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the generally accepted auditing standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of subsidiary, whose financial statements reflect total assets of Rs. 80.21 millions as at 31st March 2012, total revenues of Rs. 4.23 millions and net cash flow of Rs. 0.28 million for the year then ended. The financial statement have been audited by other auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, and other applicable accounting standards as notified by the Companies (Accounting Standard) Rules 2006.

5. We report that on the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of Kanoria Chemicals & Industries Limited and its subsidiary we are of the opinion that the said consolidated financial statements, **subject to note no 31 in notes to financial statement regarding payment of Managerial Remuneration which require necessary approval as stated in said notes,** read with significant accounting policies and notes to Consolidated Financial Statement, give a true and fair view in conformity with the accounting principal generally accepted in India:

   (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the group as at 31st march 2012;

   (b) in the case of Consolidated Statement of Profit and Loss , of the profit of the group for the year then ended and

   (c) in the case of Consolidated Cash Flow Statement, of the Cash Flows of the group for the year then ended.

For SINGHI & CO.
Chartered Accountants
Firm Registration No.302049E

RAJIV SINGHI
(Partner)
Membership No 53518

Camp: New Delhi
1-B, Old Post Office Street, Kolkata
Dated, the 11th day of May 2012

# CONSOLIDATED BALANCE SHEET

## AS AT 31ST MARCH, 2012

(Rs. in million)

| Particulars | Note No. | 31.3.2012 | 31.3.2011 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' Funds** | | | |
| Share Capital | 2 | 281.50 | 281.50 |
| Reserves & Surplus | 3 | 4,899.88 | 1,979.89 |
| | | 5,181.38 | 2,261.39 |
| **Non-current Liabilities** | | | |
| Long-term Borrowings | 4 | 641.39 | 2,515.54 |
| Deferred Tax Liabilities (Net) | 5 | 169.95 | 537.81 |
| Other Long-term Liabilities | 6 | 1.47 | 3.50 |
| Long-term Provisions | 7 | 35.97 | 503.48 |
| | | 848.78 | 3,560.33 |
| **Current Liabilities** | | | |
| Short-term Borrowings | 8 | 540.53 | 795.18 |
| Trade Payable | 9 | 152.13 | 240.86 |
| Other Current Liabilities | 10 | 191.33 | 797.84 |
| Short-term Provisions | 7 | 101.02 | 342.06 |
| | | 985.01 | 2,175.94 |
| **Total** | | 7,015.17 | 7,997.66 |
| **ASSETS** | | | |
| **Non-current Assets** | | | |
| Fixed Assets | 11 | | |
| Tangible Assets | | 1,852.11 | 5,864.71 |
| Intangible Assets | | 2.34 | 8.10 |
| Capital Work-in-Progress | | 579.19 | 100.45 |
| Intangible Assets under development | | 0.35 | - |
| | | 2,433.99 | 5,973.26 |
| Non-current Investments | | 2,078.17 | 86.67 |
| Long-term Loans & Advances | 12 | 32.72 | 26.24 |
| **Current Assets** | | | |
| Current Investments | | 1,427.33 | 10.90 |
| Inventories | 13 | 196.40 | 652.62 |
| Trade Receivables | 14 | 289.58 | 652.77 |
| Cash and Bank Balances | 15 | 170.33 | 252.67 |
| Short-term Loans & Advances | 12 | 316.17 | 287.59 |
| Other Current Assets | 16 | 70.48 | 54.94 |
| | | 2,470.29 | 1,911.49 |
| **Total** | | 7,015.17 | 7,997.66 |
| **Significant Accounting policies** | 1 | | |

The accompanying notes are an integral part of the Financial Statements

As per our report annexed
For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518

Camp: New Delhi
Dated, the 11th day of May 2012

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

# CONSOLIDATED STATEMENT OF PROFIT & LOSS

## FOR THE YEAR ENDED 31ST MARCH 2012

(Rs. in million)

| Particulars | Note No. | 2011-2012 | 2010-2011 |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from Operations | 17 | 2,905.97 | 4,918.16 |
| Other Income | 18 | 219.23 | 26.86 |
| | | 3,125.20 | 4,945.02 |
| **EXPENSES** | | | |
| Cost of Raw Materials Consumed | 19 | 1,730.20 | 1,983.30 |
| Purchases of Stock-in-Trade | 20 | - | 89.23 |
| Change in Inventories of finished goods, work-in-progress and Stock-in-Trade | 21 | (16.73) | (8.26) |
| Employees Benefits Expense | 22 | 194.30 | 375.64 |
| Finance Costs | 23 | 136.01 | 232.65 |
| Depreciation & Amortisation | 24 | 157.03 | 410.33 |
| Other Expenses | 25 | 788.72 | 1,640.90 |
| Total Expenses | | 2,989.53 | 4,723.79 |
| **Profit before exceptional and extraordinary items and Tax** | | 135.67 | 221.23 |
| Exceptional items | 27 | 3,570.37 | (1.56) |
| **Profit before extraordinary items and Tax** | | 3,706.04 | 219.67 |
| Extraordinary items | | - | - |
| **Profit before Tax** | | 3,706.04 | 219.67 |
| Add: Taxation for earlier year | | 0.02 | - |
| Less: Tax Expense | | | |
| Current | | 1,055.96 | 43.04 |
| Deferred | | (347.90) | 2.32 |
| Add: MAT credit entitlement | | 58.90 | - |
| **Profit for the year** | | 3,056.90 | 174.31 |
| **The above includes** | | | |
| Profit before Tax from discontinuing operations | | 56.04 | 288.92 |
| Tax expenses of discontinuing operations | | 18.18 | 57.58 |
| Profit after Tax from discontinuing operations | | 37.86 | 231.34 |
| **Earning per Share (Face Value Rs. 5 each)** | 28 | | |
| **- Basic (Rs.)** | | 54.30 | 3.10 |
| **- Diluted (Rs.)** | | 54.30 | 2.26 |
| **Significant Accounting policies** | 1 | | |

**The accompanying notes are an integral part of the Financial Statements**

As per our report annexed
For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518

Camp: New Delhi
Dated, the 11th day of May 2012

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31ST MARCH, 2012

(Rs. in million)

| | 2011-2012 | 2010-2011 |
|---|---|---|
| **A. CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Profit before Tax from continuing operations | 79.63 | (67.69) |
| Profit before Tax from discontinuing operations | 56.04 | 288.92 |
| Profit before Tax & Exceptional items | 135.67 | 221.23 |
| Adjustments for: | | |
| Depreciation & Amortisation on continuing operations | 110.99 | 410.33 |
| Depreciation & Amortisation on discontinuing operations | 46.04 | - |
| Interest Charged | 136.01 | 232.65 |
| (Profit)/Loss on Sale of Fixed Assets (net) | 8.89 | 55.57 |
| (Profit)/Loss on Investment (net) | (12.41) | (3.42) |
| Interest Income | (88.17) | (8.13) |
| Dividend Income | (109.61) | (1.45) |
| Operating Profit before Working Capital changes | 227.41 | 906.78 |
| Adjustments for: | | |
| Trade Receivables, Loans & Advances and Other Current Assets | (149.16) | (251.32) |
| Inventories | 89.45 | (66.45) |
| Trade Payables, Other liabilities & Provisions | (296.75) | 159.94 |
| Cash generated from Operations | (129.05) | 748.95 |
| Income Tax Paid (excluding Capital Gain Tax on Slump Sale) | (26.48) | (64.05) |
| NET CASH FROM OPERATING ACTIVITIES | (155.53) | 684.90 |
| **B. CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Purchase of Fixed Assets | (722.62) | (625.81) |
| Sale of Fixed Assets | 6.25 | 13.11 |
| Proceeds from Sale of Chloro Chemical Business # | 7,020.64 | - |
| Purchase of Investments | (23,160.69) | (21.23) |
| Sale of Investments | 19,765.19 | 20.34 |
| Interest received | 66.78 | 6.21 |
| Dividend received | 109.61 | 1.45 |
| NET CASH USED IN INVESTING ACTIVITIES | 3,085.16 | (605.93) |
| **C. CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Proceeds/Payments of Borrowings (net) | (2,473.54) | 632.03 |
| Foreign Exchange Fluctuation on FCCBs related transactions | (9.26) | (1.56) |
| Premium on Redemption of FCCBs | (61.53) | (90.53) |
| Dividend Paid (including Dividend Tax) | (327.14) | (93.22) |
| Interest Paid | (141.73) | (303.26) |
| NET CASH USED IN FINANCING ACTIVITIES | (3,013.20) | 143.46 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (83.57) | 222.43 |
| CASH AND CASH EQUIVALENTS - AS AT 01.04.2011 | 250.48 | 28.05 |
| CASH AND CASH EQUIVALENTS - AS AT 31.03.2012 | 166.91 | 250.48 |

# Net of related expenses and capital gain tax.

Notes:

a. Cash and Cash equivalents included in the Cash Flow Statement comprise the following Balance Sheet amounts:

| | | |
|---|---|---|
| Cash and Bank Balances | 170.33 | 252.67 |
| Less: Unpaid Dividend | 3.42 | 2.19 |
| Cash and Cash equivalents | 166.91 | 250.48 |

b. Above statement has been prepared in indirect method except in case of interest, dividend and taxes which have been considered on the basis of actual movement of cash, with corresponding adjustments in assets & liabilities.

c. Additions to Fixed Assets are stated inclusive of movements of capital work in progress in between beginning and end of the year and treated as part of Investing Activities.

d. Adjustment for working capital changes is net of working capital transferred on slump sale.

For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518
Camp: New Delhi
Dated, the 11th day of May 2012

For and on behalf of the Board

AMITAV KOTHARI — Director
R. V. KANORIA — Managing Director

N. K. NOLKHA — Chief Financial Officer
N. K. SETHIA — Company Secretary

# NOTES TO FINANCIAL STATEMENTS

## 1. SIGNIFICANT ACCOUNTING POLICIES

### A. PRINCIPLES OF CONSOLIDATION

(a) The financial statements have been prepared to comply in all material aspects with applicable accounting principles in India, and the Accounting Standards as prescribed by Companies (Accounting Standards) Rule, 2006 issued by Ministry of Corporate Affairs.

(b) The Consolidated Financial Statements (CFS) relate to Kanoria Chemicals & Industries Limited (the Company), its subsidiary. The CFS have been prepared in accordance with the Accounting Standards - 21 on 'Consolidated Financial Statements' are prepared on the following principles:

(i) The financial statements of the company and its subsidiary are combined on a line by line basis by adding together the book value of the like items of assets, liabilities, income and expenses, after fully eliminating inter group balances and transactions. The difference between the company's cost of investments in the Subsidiary, over its portion of equity at the time of acquisition of shares is recognised in the CFS as Goodwill or Capital Reserve as the case may be.

(ii) The CFS are prepared by using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any to the extent possible, are made in the CFS and are presented in the same manner as the Company's separate financial statements except otherwise stated elsewhere in this schedule.

### B. SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention:

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India, applicable Accounting Standards as prescribed by Companies (Accounting Standards) Rule, 2006 issued by Ministry of Corporate Affairs and the provisions of the Companies Act,1956, except for certain fixed assets which have been revalued.

All items of income and expenditure have been recognised on accrual basis. The accounting policies applied by the Company are consistent with those used in the previous years.

2. Use of Estimates:

The preparation of financial statements require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

3. Revenue Recognition:

Sales revenue is recognised on transfer of significant risk and rewards of the ownership of the goods to the buyer and stated at net of trade discounts and rebates. Other income is recognised on accrual basis. Dividend income on investments is accounted for when the right to receive the payment is established.

Sale of Certified Emission Reductions (CERs) is recognised as Income on the delivery of the CERs to the buyer(s).

4. Fixed Assets:

(i) Fixed Assets, including modernisation expenses incurred are stated at cost of acquisition, construction and improvement made, which is inclusive of freight, duties, taxes, incidental expenses, interest & fund raising cost and other pre-operative expenses apportioned and also includes revaluation amount.

(ii) Capital Work-in-Progress is stated at cost including interest and related expenses incurred during construction or pre-operative period.

(iii) Intangible Assets are stated at cost of acquisition less accumulated amortization.

5. Depreciation/Amortisation :

(i) Depreciation has been calculated on Straight Line Method (SLM) on the assets acquired/installed upto 30th June, 1986 at the rates prevailing at the time of acquisition or installation of the said assets. On the assets acquired thereafter upto 31st March, 1993 the specified period was recomputed according to the revised rates of depreciation as prescribed in Schedule XIV to the Companies Act, 1956 and the amount of depreciation on these assets has been calculated by allocating unamortised value over the remaining part of the recomputed specified period. Depreciation on subsequent additions has been calculated at SLM as per the rates prescribed in Schedule XIV to the Companies Act, 1956.

(ii) Lease hold land is being amortised over the period and/or remaining period of the lease.

(iii) Depreciation on revalued amount of Fixed Assets has been calculated on pro-rata basis to their residual life and charged to Profit & Loss Account in absence of Revaluation Reserve.

(iv) Intangible Assets consisting of Computer Software are amortised over a period of three years using Straight Line Method.

6. Foreign Currency Transactions :

(i) Year end balance of foreign currency transactions is translated at the year end rates and the corresponding effect is given in the accounts excepting those transactions covered by the fixed forward contract for conversion of foreign currency loan in rupee loan which are stated at contracted amount. Transactions completed during the year are adjusted on actual basis.

(ii) In respect of transactions covered under forward foreign exchange contracts, the difference between the forward rate and exchange rate at the inception of contract is recognised as income or expense over the life of the contract.

(iii) Effects arising of interest swap contracts are being adjusted on the date of settlement. Year end liabilities/assets are recognised at the relevant rate prevailing on that date.

# NOTES TO FINANCIAL STATEMENTS

7. Inventories :

Inventories are valued as under:-

| | |
|---|---|
| Stores & Spare Parts etc.# | At Cost or net realisable value whichever is lower |
| Raw Materials # | At Cost or net realisable value whichever is lower |
| Finished Goods | At Cost or net realisable value, whichever is lower and in case of products, where cost cannot be ascertained, at net realisable value. |
| Work-in-Process | At Raw Material Cost and/or at cost or net realisable value, whichever is lower |

# The Cost has been arrived at using Weighted Average method.

8. Investments :

Long term Investments are stated at cost less provision, if any, for diminution, which is considered as permanent in nature. Current Investments are stated at cost or fair value whichever is lower.

9. Employee Benefits:

Employee benefits of short-term nature are recognised as expenses as and when it accrues. Long-term employee benefits (e.g. long- service leave) and post employment benefits (e.g., gratuity), both unfunded, are recognised on expenses based on actuarial valuation at year end using projected unit credit method. Actuarial gain and losses are recognised immediately in the profit and loss account.

10. Taxation:

(i) Provision for current Income Tax is made in accordance with the Income Tax Act,1961. Deferred Tax is measured in accordance with Accounting Standard 22- 'Accounting for Taxes on Income', as specified in the Companies (Accounting Standard) Rule, 2006 issued by Ministry of Corporate Affairs. The deferred tax charge or credit is recognised, subject to consideration of prudence, using substantively enacted tax rates, for timing differences between book and tax profits that originate in one period and are capable of reversal in one or more subsequent periods.

(ii) Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period. In the year in which minimum alternative tax credit becomes eligible to be recognised as an asset in accordance with the recommendation contained in guidance note issued by The Institute of Chartered Accountants of India, the said asset is created by way of credit to Profit & Loss Account. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.

11. Borrowing Cost:

Interest and other costs in connection with the borrowing of the funds to the extent related/attributed to the acquisition/construction of qualifying fixed assets are capitalised upto the date when such assets are ready for its intended use and other borrowing costs are charged to Profit & Loss Account.

Premium on redemption of Bonds/Debentures to the extent they are related/attributed to acquisition/ construction of qualifying fixed assets are capitalized upto the date when such assets are ready for its intended use. Thereafter, Premium on redemption of Bonds/Debentures, net of tax impact, are adjusted against Securities Premium Account.

12. Impairment:

Impairment loss is recognised wherever the carrying amount of an assets is in excess of its recoverable amount and the same is recognised as an expense in the statement of Profit and Loss and carrying amount of the assets is reduced to its recoverable amount. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the assets no longer exist or have decreased.

13. Commodity hedging contracts :

The realized gain or loss in respect of commodity hedging contracts, the pricing period of which has expired during the year are recognized in Profit and Loss Account. However, in respect of contracts, the pricing period of which extends beyond the Balance Sheet date, provisions for net loss on mark to market basis is made.

14. Provisions, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the Notes on Accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in million)

| | 31.3.2012 | 31.3.2011 |
|---|---|---|
| **2. SHARE CAPITAL** | | |
| (a) AUTHORISED | | |
| 100,000,000 (Previous year 100,000,000) Equity Shares of Rs. 5 each | 500.00 | 500.00 |
| ISSUED | | |
| 56,296,500 (Previous year 56,296,500) Equity Shares of Rs. 5 each | 281.48 | 281.48 |
| SUBSCRIBED AND PAID UP | | |
| 56,296,500 (Previous year 56,296,500) Equity Shares of Rs. 5 each fully paid-up | 281.48 | 281.48 |
| Add: Forfeited Shares (Amount paid up) | 0.02 | 0.02 |
| | 281.50 | 281.50 |
| (b) Reconciliation of number of Shares (Nos.): | | |
| Outstanding at the beginning of the year | 56,296,500 | 56,296,500 |
| Outstanding at the end of the year | 56,296,500 | 56,296,500 |

(c) The Company has only one class of issued shares i.e. Equity Share having par value of Rs.5 per share. Each holder of Equity Share is entitled to one vote per share and equal right for dividend. The dividend proposed by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after payment of all preferential amounts, in proportion to their shareholding.

(d) The company does not have a holding company

(e) Details of shareholders holding more than 5 percent equity shares.

| Name of the Shareholders | As at 31st March, 2012 | | As at 31st March, 2011 | |
|---|---|---|---|---|
| | No. of shares | % of Holding | No. of shares | % of Holding |
| Vardhan Limited | 25,733,079 | 45.71 | 24,732,876 | 43.93 |
| R V Investment & Dealers Limited | 3,210,120 | 5.70 | 3,210,120 | 5.70 |
| International Finance Corporation | 6,102,000 | 10.84 | 6,102,000 | 10.84 |
| Mega Resources Limited | 2,986,720 | 5.31 | 3,423,153 | 6.08 |

(f) No Shares have been reserved for issue under options and contracts/commitments for the sale of shares/disinvestment as at the Balance Sheet date.

(g) 18,765,500 Equity Shares of Rs. 5 each as fully paid up Bonus Shares were allotted on 11th January, 2008 by Capitalisation of Capital Redemption Reserve.

(h) None of the securities are convertible into shares at the end of the reporting period.

(i) No calls are unpaid by any Director or Officer of the Company during the year.

| | 31.3.2012 | | 31.3.2011 | |
|---|---|---|---|---|
| **3. RESERVES & SURPLUS** | | | | |
| (a) CAPITAL RESERVE | | | | |
| As per last financial statements | | 34.17 | | 34.17 |
| (b) CAPITAL REDEMPTION RESERVE | | | | |
| As per last financial statements | | 9.67 | | 9.67 |
| (c) SECURITIES PREMIUM ACCOUNT | | | | |
| As per last financial statements | 634.26 | | 695.42 | |
| Less: Premium on redemption of FCCBs (net of Deferred Tax) | 41.56 | 592.70 | 61.16 | 634.26 |
| (d) SPECIAL RESERVE | | | | |
| As per last financial statements | 17.83 | | 16.92 | |
| Add: Transfer from Surplus | 0.70 | 18.53 | 0.91 | 17.83 |
| (e) GENERAL RESERVE | | | | |
| As per last financial statements | 1,185.43 | | 1,165.43 | |
| Add: Transfer from Surplus | 1,500.00 | 2,685.43 | 20.00 | 1,185.43 |
| (f) SURPLUS | | | | |
| Balance as per last Account | 98.53 | | 275.06 | |
| Adjustment of Dividend paid | 2.79 | | - | |
| Add: As per annexed Statement of Profit & Loss | 3,056.90 | | 174.31 | |
| | 3,158.22 | | 449.37 | |
| Less: | | | | |
| Proposed Dividend on Equity Shares | 84.44 | | 284.27 | |
| Provision for Dividend Tax | 13.70 | | 45.66 | |
| Transfer to Special Reserve | 0.70 | | 0.91 | |
| Transfer to General Reserve | 1,500.00 | | 20.00 | |
| | 1,598.84 | 1,559.38 | 350.84 | 98.53 |
| Total | | 4,899.88 | | 1,979.89 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in million)

| | Non-current | | Current maturities | |
|---|---|---|---|---|
| | 31.3.2012 | 31.3.2011 | 31.3.2012 | 31.3.2011 |
| **4. LONG-TERM BORROWINGS** | | | | |
| **SECURED** | | | | |
| (a) Term Loans | | | | |
| From Banks | 639.49 | 1,150.55 | 71.05 | 313.96 |
| (Secured/to be secured by first charge and mortgage by deposit of title deeds of immovable properties and hypothecation of movable fixed assets, both present and future and pending creation of such security temporarily secured by pledge of units of mutual fund) | | | | |
| (Repayable in ten half yearly installments beginning from 3rd December, 2012) | | | | |
| Vehicle Financing from Banks | 1.90 | 3.24 | 1.89 | 4.45 |
| (Secured by hypothecation of related vehicles.) | | | | |
| From Others | - | 468.75 | - | 156.25 |
| | 641.39 | 1,622.54 | 72.94 | 474.66 |
| **UNSECURED** | | | | |
| (b) Bonds | | | | |
| Foreign Currency Convertible Bonds | - | 893.00 | - | - |
| | 641.39 | 2,515.54 | 72.94 | 474.66 |
| Less: Amount disclosed under the head "other current liabilities" (Note no.10) | - | - | 72.94 | 474.66 |
| | 641.39 | 2,515.54 | - | - |

| | 31.3.2012 | | 31.3.2011 | |
|---|---|---|---|---|
| **5. DEFERRED TAX LIABILITIES (NET)** | | | | |
| DEFERRED TAX LIABILITY | | | | |
| Depreciation | | 183.12 | | 673.74 |
| DEFERRED TAX ASSETS | | | | |
| Retirement Benefits | 12.60 | | 43.22 | |
| Premium on Redemption of FCCBs | - | | 85.81 | |
| Others | 0.57 | 13.17 | 6.90 | 135.93 |
| | | 169.95 | | 537.81 |
| **6. OTHER LONG-TERM LIABILITIES** | | | | |
| Security Deposits | | 1.47 | | 3.50 |

| | Long-term | | Short-term | |
|---|---|---|---|---|
| **7. PROVISIONS** | 31.3.2012 | 31.3.2011 | 31.3.2012 | 31.3.2011 |
| (a) Provision for employee benefits | | | | |
| For Gratuity | 29.87 | 104.24 | 2.25 | 10.47 |
| For Accrued Leave | 6.10 | 16.84 | 0.63 | 1.66 |
| (b) For Premium on Redemption of FCCBs | - | 382.40 | - | - |
| (c) Proposed Dividend | - | - | 84.44 | 284.27 |
| (d) Dividend Tax | - | - | 13.70 | 45.66 |
| | 35.97 | 503.48 | 101.02 | 342.06 |

(Rs. in million)

## 8. SHORT-TERM BORROWINGS

| | 31.3.2012 | 31.3.2011 |
|---|---|---|
| **SECURED** | | |
| (a) From Banks | | |
| Loans Repayable on Demand | - | 271.14 |
| Buyer's Credit | 540.53 | 217.96 |
| (Rs.244.59 million is secured against hypothecation by way of a subservient charge on all current assets and movable fixed assets of Ankleshwer plant and Rs. 295.94 million is secured by pledge of units of mutual funds) | | |
| **UNSECURED** | | |
| (b) From Banks | | |
| Working Capital Loans Repayable on Demand | - | 263.46 |
| Buyer's Credit | - | 42.62 |
| | 540.53 | 795.18 |

## 9. TRADE PAYABLES

| | | |
|---|---|---|
| (a) Due to Micro, Small & Medium Enterprises | - | - |
| (b) Due to Others | 152.13 | 240.86 |
| | 152.13 | 240.86 |

## 10. OTHER CURRENT LIABILITIES

| | | |
|---|---|---|
| (a) Current maturities of Long term debts | 72.94 | 474.66 |
| (b) Interest accrued but not due on borrowings | 9.59 | 8.94 |
| (c) Unpaid Dividend | 3.42 | 2.19 |
| (d) Project liabilities | 42.50 | 25.83 |
| (e) Customers' Credit Balances | 0.64 | 42.91 |
| (f) Employee related liabilities | 12.65 | 56.20 |
| (g) Statutory liabilities | 4.23 | 21.03 |
| (h) Security & Trade deposits | 4.54 | 11.50 |
| (i) Other liabilities | 40.82 | 154.58 |
| | 191.33 | 797.84 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 11. FIXED ASSETS

(Rs. in million)

| PARTICULARS | GROSS BLOCK | | | | | DEPRECIATION | | | | IMPAIRMENT | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at 31.3.11 | Additions | Other adjustment (Borrowing Cost) | Sales and/or adjustment | As at 31.3.12 | As at 31.3.11 | For the Year | Sales and/or adjustment | Up to 31.3.12 | As at 31.3.11 | For the Year | Sales and/or adjustment | Up to 31.3.12 | As at 31.3.12 | As at 31.3.11 |
| **TANGIBLE ASSETS** | | | | | | | | | | | | | | | |
| Goodwill | 0.02 | - | - | - | 0.02 | - | - | - | - | - | - | - | - | 0.02 | 0.02 |
| Land & Site Development | 439.69 | 72.59 | - | 191.23 | 321.05 | - | - | - | - | - | - | - | - | 321.05 | 439.69 |
| Leasehold land & Site Development | 19.78 | - | - | 4.15 | 15.63 | 4.61 | 0.17 | 1.15 | 3.63 | - | - | - | - | 12.00 | 15.17 |
| Buildings | 1,270.44 | 48.91 | 3.21 | 951.33 | 371.23 | 277.35 | 12.24 | 230.55 | 59.04 | - | - | - | - | 312.19 | 993.09 |
| Plant & Machinery | 7,326.75 | 102.51 | 7.08 | 5,248.67 | 2,187.67 | 3,088.71 | 132.51 | 2,176.15 | 1,045.07 | 17.85 | - | - | 17.85 | 1,124.75 | 4,220.19 |
| Furniture & Fixture, Office & Laboratory Equipments etc. | 153.58 | 10.23 | 0.10 | 62.44 | 101.47 | 69.73 | 6.00 | 41.21 | 34.52 | - | - | - | - | 66.95 | 83.85 |
| Vehicles and Fork Lifts | 105.50 | 5.24 | - | 86.50 | 24.24 | 42.03 | 3.42 | 34.31 | 11.14 | - | - | - | - | 13.10 | 63.47 |
| Railway Siding & Weigh Bridge | 64.15 | - | - | 61.26 | 2.89 | 14.92 | 0.56 | 14.64 | 0.84 | - | - | - | - | 2.05 | 49.23 |
| | 9,379.91 | 239.48 | 10.39 | 6,605.58 | 3,024.20 | 3,497.35 | 154.90 | 2,498.01 | 1,154.24 | 17.85 | - | - | 17.85 | 1,852.11 | 5,864.71 |
| **INTANGIBLE ASSETS** | | | | | | | | | | | | | | | |
| Computer Software | 13.17 | 0.03 | - | 6.50 | 6.70 | 5.07 | 2.13 | 2.84 | 4.36 | - | - | - | - | 2.34 | 8.10 |
| | 9,393.08 | 239.51 | 10.39 | 6,612.08 | 3,030.90 | 3,502.42 | 157.03 | 2,500.85 | 1,158.60 | 17.85 | - | - | 17.85 | 1,854.45 | 5,872.81 |
| Capital Work-in-Progress | | | | | | | | | | | | | | 579.19 | 100.45 |
| Intangible Assets under Development | | | | | | | | | | | | | | 0.35 | - |
| **TOTAL** | | | | | | | | | | | | | | **2,433.99** | **5,973.26** |
| Figures for the corresponding Previous year | 8,514.17 | 1,138.72 | - | 259.81 | 9,393.08 | 3,282.89 | 410.33 | 190.80 | 3,502.42 | 17.85 | - | - | 17.85 | 5,973.26 | |

(Rs. in million)

| | Long-term | | Short-term | |
|---|---|---|---|---|
| | 31.3.2012 | 31.3.2011 | 31.3.2012 | 31.3.2011 |
| **12. LOANS AND ADVANCES** | | | | |
| (a) Capital Advances | | | | |
| Unsecured, Considered Good | 4.57 | 4.67 | - | - |
| (b) Security Deposits | | | | |
| Unsecured, Considered Good | 26.24 | 19.70 | 6.41 | 10.31 |
| Doubtful | - | - | - | 0.73 |
| Provision for doubtful security deposits | - | - | - | (0.73) |
| (c) Loans and Advances to related parties | | | | |
| Unsecured, Considered Good | 1.20 | 1.32 | - | - |
| (d) Advances Recoverable in cash or in kind | | | | |
| Other Advances | | | | |
| Unsecured, Considered Good | 0.29 | 0.23 | 22.54 | 128.59 |
| Doubtful | - | - | - | 0.13 |
| Under Litigation | - | - | - | 1.52 |
| Provision for under litigation advances | - | - | - | (1.65) |
| (e) Other Loans and Advances | | | | |
| Loans to Employees | 0.42 | 0.32 | 1.61 | 1.93 |
| Assets held for disposal | - | - | - | 4.14 |
| Balance with Central Excise and other Government Authorities | - | - | 64.49 | 76.37 |
| Income & Wealth Tax Payments and Tax Deducted at Source less Provision | - | - | 221.12 | 66.25 |
| | 32.72 | 26.24 | 316.17 | 287.59 |

| | 31.3.2012 | 31.3.2011 |
|---|---|---|
| **13. INVENTORIES** | | |
| (as certified by the Management) | | |
| (a) Stores and Spare Parts etc. (At Cost or net realisable value whichever is lower) | 26.16 | 133.16 |
| (b) Coal and Fuel at Power Plant (At Cost or net realisable value whichever is lower) | - | 49.91 |
| (c) Raw Materials (At Cost or net realisable value whichever is lower) | 69.45 | 290.77 |
| (d) Finished Goods (At Cost or net realisable value, whichever is lower and in case of products, where cost cannot be ascertained, at net realisable value) | 82.38 | 135.25 |
| (e) Work-in-Process (At Raw Material Cost and/or at cost or net realisable value, whichever is lower) | 18.41 | 43.12 |
| (f) Power banked with UPPCL (At Cost) | - | 0.41 |
| | 196.40 | 652.62 |
| **14. TRADE RECEIVABLES** | | |
| (a) Outstanding for a period exceeding six months | | |
| Secured, Considered Good | - | 0.25 |
| Unsecured, Considered Good | 1.96 | 30.16 |
| Doubtful | 0.65 | 6.70 |
| Under Litigation | 1.09 | 11.95 |
| Provision for Doubtful/litigation | (1.74) | (18.65) |
| | 1.96 | 30.41 |
| (b) Other receivables | | |
| Secured, Considered Good | - | 0.19 |
| Unsecured, Considered Good | 287.62 | 622.17 |
| | 287.62 | 622.36 |
| | 289.58 | 652.77 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in million)

| | 31.3.2012 | 31.3.2011 |
|---|---|---|
| **15. CASH AND BANK BALANCES** | | |
| **CASH AND CASH EQUIVALENTS** | | |
| (a) Cash Balance on hand (as certified) | 0.44 | 0.67 |
| (b) Drafts/T.T in transit/Cheques in hand | 0.12 | 10.30 |
| (c) Balances with Scheduled Bank | | |
| In Current Account | 27.10 | 32.91 |
| In Current Account (Foreign Currency) | 0.78 | 0.68 |
| In Cash Credit Account | 0.86 | - |
| In Fixed deposit within 3 months maturity | 136.64 | 180.09 |
| **OTHER BANK BALANCES** | | |
| In Unpaid Dividend Account | 3.42 | 2.19 |
| In Fixed deposit (Receipt deposited as security) | 0.97 | 3.43 |
| In Fixed deposit 3 to 12 months maturity | - | 22.40 |
| | 170.33 | 252.67 |
| **16. OTHER CURRENT ASSETS** | | |
| (a) Interest and Dividend Receivable | | |
| Unsecured, Considered Good | 24.56 | 3.28 |
| (b) Export Benefits and Claims Receivable | | |
| Unsecured, Considered Good | 45.92 | 51.66 |
| Doubtful | - | 0.21 |
| Provision for doubtful claims | - | (0.21) |
| | 70.48 | 54.94 |

| | 2011-2012 | | 2010-2011 | |
|---|---|---|---|---|
| **17. REVENUE FROM OPERATIONS** | | | | |
| (a) Sale of Products | | | | |
| Caustic Soda 100% (NaOH) | 268.78 | | 1,410.62 | |
| Stable Bleaching Powder | 35.17 | | 211.92 | |
| Chlorinated Paraffins | 88.49 | | 438.96 | |
| Power Generation | 67.86 | | 421.91 | |
| Aluminium Chloride | 106.16 | | 578.86 | |
| Pentaerythritol | 662.09 | | 554.98 | |
| Formaldehyde(37%) | 836.33 | | 404.66 | |
| Hexamine | 469.57 | | 300.62 | |
| Others | 615.04 | | 922.19 | |
| Traded Goods | - | 3,149.49 | 1.26 | 5,245.98 |
| (b) Other Operating Revenues | | | | |
| Miscellaneous Sales | 18.79 | | 25.13 | |
| Insurance and other claims | 1.45 | | 11.31 | |
| Export benefits | 6.58 | | 28.35 | |
| Interest | 0.97 | 27.79 | 1.13 | 65.92 |
| Gross Revenue from Operations | | 3,177.28 | | 5,311.90 |
| (c) Excise Duty | | 268.99 | | 384.34 |
| | | 2,908.29 | | 4,927.56 |
| Less: Revenue from trial-run Production | | 2.32 | | 9.40 |
| Net Revenue from Operations | | 2,905.97 | | 4,918.16 |

(Rs. in million)

| | 2011-2012 | | 2010-2011 | |
|---|---|---|---|---|
| **18. OTHER INCOME** | | | | |
| **Interest Income** | | | | |
| On long term Investments | 35.93 | | - | |
| On Current Investments | 36.55 | | - | |
| From Others | 14.72 | 87.20 | 7.01 | 7.01 |
| **Dividend Income** | | | | |
| On long term Investments | 2.58 | | 1.45 | |
| On Current Investments | 104.24 | 106.82 | - | 1.45 |
| **Net gain/(loss) on Sale of Investments** | | | | |
| On long term Investments | (0.14) | | 2.91 | |
| On Current Investments | 12.56 | 12.42 | 0.54 | 3.45 |
| Rent Income | | 4.11 | | 3.94 |
| Liabilities no longer required written back | | 6.44 | | 8.47 |
| Other receipts | | 2.24 | | 2.54 |
| | | 219.23 | | 26.86 |
| **19. COST OF MATERIAL CONSUMED** | | | | |
| **Raw Material consumption** | | | | |
| Salt | 39.45 | | 250.99 | |
| Aluminium Ingot | 46.06 | | 320.39 | |
| Normal Paraffin | 53.96 | | 287.18 | |
| Methanol | 1,025.61 | | 550.87 | |
| Molasses | 233.73 | | 181.68 | |
| Others | 333.26 | 1,732.07 | 397.79 | 1,988.90 |
| **Less: Transfer to Capital Work in progress** | | | | |
| Methanol | 1.26 | | 5.51 | |
| Others | 0.61 | 1.87 | 0.09 | 5.60 |
| | | 1,730.20 | | 1,983.30 |
| **20. PURCHASES** | | | | |
| Liquid Chlorine | | - | | 0.25 |
| Methanol | | - | | 88.98 |
| | | - | | 89.23 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in million)

| | 2011-2012 | | 2010-2011 | |
|---|---|---|---|---|
| **21. CHANGE IN INVENTORIES** | | | | |
| **Opening Stock** | Finished Goods | Work-in-Process | Finished Goods | Work-in-Process |
| Caustic Soda 100% (NaOH) | 14.68 | 6.58 | 18.99 | 6.82 |
| Stable Bleaching Powder | 2.86 | 0.14 | 4.06 | 0.13 |
| Chlorinated Paraffins | 35.11 | - | 22.05 | - |
| Aluminium Chloride | 39.44 | 8.94 | 18.39 | 7.07 |
| Pentaerythritol | 9.58 | 3.78 | 19.16 | 3.28 |
| Formaldehyde (37%) | 6.36 | - | 6.23 | - |
| Hexamine | - | 0.96 | 0.18 | 0.87 |
| Others | 27.63 | 22.72 | 44.20 | 19.80 |
| | 135.66 | 43.12 | 133.26 | 37.97 |
| **Deduct:** | | | | |
| **Transferred on Sale of Chloro Chemicals Business** | | | | |
| Caustic Soda 100% (NaOH) | 18.60 | 4.52 | - | - |
| Stable Bleaching Powder | 1.03 | 0.14 | - | - |
| Chlorinated Paraffins | 31.33 | - | - | - |
| Aluminium Chloride | 15.51 | 9.14 | - | - |
| Others | 4.66 | 4.85 | - | - |
| | 71.13 | 18.65 | - | - |
| **Closing stock** | | | | |
| Caustic Soda 100% (NaOH) | - | - | 14.68 | 6.58 |
| Stable Bleaching Powder | - | - | 2.86 | 0.14 |
| Chlorinated Paraffins | - | - | 35.11 | - |
| Aluminium Chloride | - | - | 39.44 | 8.94 |
| Pentaerythritol | 14.77 | 5.06 | 9.58 | 3.78 |
| Formaldehyde (37%) | 12.25 | - | 6.36 | - |
| Hexamine | 3.72 | 2.36 | - | 0.96 |
| Others | 51.63 | 10.99 | 27.63 | 22.72 |
| | 82.37 | 18.41 | 135.66 | 43.12 |
| | (17.84) | 6.06 | (2.40) | (5.15) |
| Change in Excise Duty on Stocks | (4.95) | - | (0.71) | - |
| | (22.79) | 6.06 | (3.11) | (5.15) |
| Total | | (16.73) | | (8.26) |
| **22. EMPLOYEES BENEFITS EXPENSE** | | | | |
| Salaries, Wages, Bonus & Gratuity etc. (including payments to Contractors) | | 172.36 | | 335.83 |
| Contribution to Provident Fund | | 8.63 | | 21.18 |
| Welfare Expenses | | 14.26 | | 25.68 |
| | | 195.25 | | 382.69 |
| Less: Transfer to capital work in progress | | 0.95 | | 7.05 |
| | | 194.30 | | 375.64 |
| **23. FINANCE COST** | | | | |
| Interest expense | | 126.50 | | 263.17 |
| Other borrowing Costs | | 6.48 | | 44.99 |
| Net gain/loss on foreign currency transaction attributable as adjustment to interest cost | | 9.40 | | - |
| | | 142.38 | | 308.16 |
| Less: Transfer to capital work in progress | | 6.37 | | 75.51 |
| | | 136.01 | | 232.65 |
| **24. DEPRECIATION AND AMORTISATION** | | | | |
| Depreciation | | 154.90 | | 407.16 |
| Amortisation | | 2.13 | | 3.17 |
| | | 157.03 | | 410.33 |

(Rs. in million)

| | 2011-2012 | | 2010-2011 | |
|---|---|---|---|---|
| **25. OTHER EXPENSES** | | | | |
| Consumption of Stores & Spare parts etc. | | 76.18 | | 157.77 |
| Other Manufacturing Expenses | | 20.48 | | 14.33 |
| Power & Fuel | | 410.69 | | 864.10 |
| Repairs to | | | | |
| Plant & Machinery | | 58.41 | | 133.61 |
| Buildings | | 7.98 | | 22.50 |
| Others | | 8.57 | | 11.93 |
| Water Charges & Cess | | 16.41 | | 17.13 |
| Rates & Taxes (including Provision for wealth tax Rs. 0.06 million) (Previous Year Rs.0.13 million) | | 4.59 | | 5.23 |
| Rent | | 9.56 | | 15.94 |
| Insurance | | 6.80 | | 18.29 |
| Legal and Professional Charges | | 26.48 | | 20.72 |
| Miscellaneous Expenses | | 44.75 | | 72.25 |
| Foreign Exchange Rate Fluctuation | | 5.90 | | 0.87 |
| Loss on Commodity Future Trade | | - | | 0.31 |
| Commission & Brokerage to Others | | 12.64 | | 30.84 |
| Freight, Handling & Other Charges | | 35.94 | | 161.04 |
| Directors' Fees | | 0.80 | | 0.49 |
| Travelling Expenses (including Directors' Travelling Rs. 6.67 million) (Previous Year Rs. 5.46 million) | | 15.84 | | 21.24 |
| Charity & Donations | | 0.15 | | 0.22 |
| Sales/Turnover Tax (net) | | 0.00 | | 0.03 |
| Payment to Auditors: | | | | |
| (a) Statutory Auditors | | | | |
| Audit Fees | 0.64 | | 0.89 | |
| For Certificates & Others | 0.57 | | 0.71 | |
| For Travelling and out of pocket expenses | 0.18 | | 0.29 | |
| (b) Cost Auditors | | | | |
| Audit Fees | 0.10 | | 0.09 | |
| For Travelling and out of pocket expenses | 0.01 | | 0.01 | |
| (c) Tax Auditors | | | | |
| Audit Fees | 0.10 | 1.60 | 0.12 | 2.11 |
| Directors' Remuneration | | 18.28 | | 22.34 |
| Provision for bad & doubtful Debts & Advances (net) | | (7.13) | | (5.47) |
| Unrealised Debts and Claims written off | | 15.23 | | 9.79 |
| Loss on Fixed Assets sold/discarded (Net) | | 8.89 | | 55.57 |
| Previous Years Adjustments (Net) | | 1.37 | | 0.12 |
| | | 800.41 | | 1,653.30 |
| Less: Transfer to Capital work in progress | | | | |
| Power & Fuel | 0.25 | | 4.24 | |
| Repairs & Maintenance to others | 0.04 | | 0.93 | |
| Rates & Taxes | 0.00 | | 0.18 | |
| Rent | 0.00 | | 0.11 | |
| Insurance premium | 0.20 | | 0.44 | |
| Legal & Professional Charges | 9.72 | | 1.61 | |
| Miscellaneous expenses | 0.83 | | 2.33 | |
| Travelling expenses | 0.65 | 11.69 | 2.56 | 12.40 |
| | | 788.72 | | 1,640.90 |

**26.** The consolidated financial statements comprise the financial statements of Kanoria Chemicals & Industries Limited and its subsidiary Pipri Limited (a wholly owned subsidiary) as on 31st March, 2012, country of incorporation is in India.

**27.** i) The gain/(loss) arising from the effect of change in the foreign exchange rates on revaluation of the outstanding Foreign Currency Convertible Bonds (FCCB) & premium thereon, together with gain/(loss) on remittance/reinstatement of FCCB bank balances which existed during previous year, as calculated pursuant to the requirement of Accounting Standard (AS) 11 Rs. (9.25) million (Previous Year Rs. (1.56) million).

ii) Profit on Sale of Chloro Chemicals Division of the Company Rs. 3,579.62 million (Previous Year Rs. Nil).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in million)

| | 2011-2012 | 2010-2011 |
|---|---|---|
| **28. EARNINGS PER SHARE** | | |
| (a) Net Profit available to Equity Shareholders | 3,056.90 | 174.31 |
| (b) Weighted average number of Equity Shares for EPS calculation | | |
| Number of Equity Shares for basic EPS | 56,296,500 | 56,296,500 |
| Number of potential Equity Shares on conversion of FCCBs | - | 20,682,090 |
| Number of Equity Shares for Diluted EPS | 56,296,500 | 76,978,590 |
| (c) Earnings per Share | | |
| Basic (Rupees) | 54.30 | 3.10 |
| Diluted (Rupees) | 54.30 | 2.26 |
| **29. CONTINGENT LIABILITIES AND COMMITMENTS** | | |
| **(to the extent not provided for)** | | |
| (i) Contingent Liabilities | | |
| (a) Claims/Disputed liabilities not acknowledged as debt (paid Rs. 0.43 million) | 133.08 | 271.23 |
| (b) Outstanding Bank Guarantees | 16.86 | 73.59 |
| (c) Corporate Guarantee given to Gujarat Industrial Development Corporation for securing loan by Bharuch Eco -Aqua Infrastructure Limited. | 11.63 | 11.63 |
| (ii) Commitments | | |
| Estimated amount of contracts remaining to be executed on capital account and not provided for | 102.10 | 27.07 |
| Advances paid | 4.57 | 4.67 |

**30.** For the year ended 31st March, 2012, the Board of Directors of the Company have recommended dividend of Rs.1.50 per share (Previous year Rs. 5 per share) to equity shareholders aggregating to Rs. 84.44 million (Previous year Rs. 281.48 million). Together with the Corporate Dividend Distribution Tax of Rs.13.70 million (Previous year Rs. 45.21 million), the total payout will be Rs.98.14 million (Previous year Rs. 326.69 million).

**31.** Due to inadequacy of profits as per Section 349 of the Companies Act, 1956 (the Act), the remuneration paid to Managing Director during the period from 1st April, 2011 to 9th January, 2012, exceeds the limit prescribed under Section 309 read with the Schedule XIII of the Act, by Rs. 3.52 million. The Company has initiated steps to obtain the approvals for the same from the shareholders in the ensuing Annual General Meeting and the Central Government, as required.

The remuneration of Rs. 2.53 million paid to Managing Director for the period from 10th January, 2012 to 31st March, 2012 (on his re-appointment), is subject to the approval of the shareholders in the ensuing Annual General Meeting, and further the same is subject to the approval of the Central Government.

**32.** As per Business Transfer Agreement dated 16th April, 2011 the Company has divested its Chloro Chemicals Division at the close of business hours on 23rd May, 2011 for a Cash consideration of Rs. 8.3 billion. In line with the requirement of Accounting Standard 24 on Discontinued Operations, the following statement shows the revenue and expenses of this division which are included in the Statement of Profit & Loss :

| | 2011-2012 | 2010-2011 |
|---|---|---|
| Total Revenue | 606.10 | 3,300.61 |
| Cost of Raw Materials consumed | 178.89 | 1,068.12 |
| Purchases of Stock-in Trade | - | 0.25 |
| Changes in Inventories | 31.57 | (24.44) |
| Employee Benefits expenses | 39.81 | 233.23 |
| Finance Costs | 57.96 | 206.86 |
| Depreciation & Amortisation | 46.04 | 327.82 |
| Other Expenses | 195.79 | 1,199.85 |
| Profit before Tax | 56.04 | 288.92 |
| Tax expense | 18.18 | 57.58 |
| Profit after Tax | 37.86 | 231.34 |

## 33. SEGMENT REPORTING

**(A) Primary Segment Information (by Business Segment)**

(Rs. in million)

| | 2011-2012 | | | | 2010-2011 | | | |
|---|---|---|---|---|---|---|---|---|
| **Business Segment** | **Chloro Chemicals** | **Alco Chemicals** | **Others** | **Total** | **Chloro Chemicals** | **Alco Chemicals** | **Others** | **Total** |
| **Segment Revenue** | | | | | | | | |
| Revenue from operations (net of excise) | 599.33 | 2,305.67 | 0.97 | 2,905.97 | 3,289.00 | 1,628.03 | 1.13 | 4,918.16 |
| **Segment Result** | | | | | | | | |
| (Profit before Interest & Tax) | 114.00 | 38.45 | 1.12 | 153.57 | 495.78 | 46.96 | 5.27 | 548.01 |
| Less: (i) Interest | | | | 136.01 | | | | 232.65 |
| (ii) Other Un-allocable expenditure net off Un-allocable income (including exceptional items) | | | | (3,688.48) | | | | 95.69 |
| Profit before Tax | | | | 3,706.04 | | | | 219.67 |
| Add : Taxation for earlier years | | | | 0.02 | | | | - |
| Less: Provision for Taxation -Current | | | | 1,055.96 | | | | 43.04 |
| -Deferred | | | | (347.90) | | | | 2.32 |
| Add: MAT credit entitlement | | | | 58.90 | | | | - |
| **Net Profit:** | | | | **3,056.90** | | | | **174.31** |
| **Other Information** | | | | | | | | |
| Segment Assets | - | 2,424.45 | 80.21 | 2,504.66 | 5,106.41 | 2,434.39 | 79.83 | 7,620.63 |
| Un-allocable Corporate Assets | | | | 4,510.51 | | | | 377.03 |
| **Total Assets:** | | | | **7,015.17** | | | | **7,997.66** |
| Segment Liabilities | - | 234.77 | 0.05 | 234.82 | 471.33 | 177.35 | 3.31 | 651.99 |
| Un-allocable Corporate Liabilities | | | | 174.16 | | | | 761.09 |
| **Total Liabilities:** | | | | **408.98** | | | | **1,413.08** |
| Segment Capital Employed | - | 2,189.68 | 80.16 | 2,269.84 | 4,635.08 | 2,257.04 | 76.52 | 6,968.64 |
| Un-allocable Capital Employed | | | | 4,336.35 | | | | (384.06) |
| **Total Capital Employed:** | | | | **6,606.19** | | | | **6,584.58** |
| Capital Expenditure | - | 190.26 | - | 190.26 | 79.86 | 1,040.28 | - | 1,120.14 |
| Un-allocable Capital Expenditure | | | | 59.64 | | | | 18.58 |
| **Total Capital Expenditure:** | | | | **249.90** | | | | **1,138.72** |
| Depreciation & Amortisation | 46.04 | 105.54 | - | 151.58 | 327.82 | 77.60 | - | 405.42 |
| Un-allocable Depreciation | | | | 5.45 | | | | 4.91 |
| **Total Depreciation:** | | | | **157.03** | | | | **410.33** |
| Other Non-cash expenses | - | - | - | - | - | - | - | - |

**(B) Secondary Segment information (by Geographical demarcation)**

| Geographical Segment----------> | 2011-2012 | | | 2010-2011 | | |
|---|---|---|---|---|---|---|
| | India | Rest of the World | Total | India | Rest of the World | Total |
| Segment Revenue | 2,749.97 | 156.00 | 2,905.97 | 4,426.76 | 491.40 | 4,918.16 |
| Segment Assets | 7,011.37 | 3.80 | 7,015.17 | 7,962.61 | 35.05 | 7,997.66 |
| Segment Liabilities | 408.88 | 0.10 | 408.98 | 1,411.90 | 1.18 | 1,413.08 |
| Capital Expenditure | 249.90 | - | 249.90 | 1,138.72 | - | 1,138.72 |

**(C) Other Disclosures**

**Basis of pricing inter/Intra segment transfer and any change therein:**

At prevailing market-rate at the time of transfers.

**Segment Accounting Policies**

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company and its subsidiary & Joint venture.

**Type of products included in each reported business segment:**

Chloro Chemicals business includes Caustic Soda, Liquid Chlorine, Hydrochloric Acid, Stable Bleaching Powder, Chlorinated Paraffins, Poly Aluminium Chloride, Captive Power, Aluminium Chloride, Salt etc., Alco Chemicals business includes Pentaerythritol, Sodium Formate, Acetaldehyde, Formaldehyde, Hexamine, Industrial Alcohol, Acetic Acid, Ethyl Acetate etc. and others include Financial Activities & others

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 34. RELATED PARTY DISCLOSURES

(Rs. in million)

(i) List of related parties over which control exists and relationship with whom transaction taken place:

| Name of the Related Parties | Relationship |
|---|---|
| 1. Mr. R. V. Kanoria - Chairman & Managing Director<br>2. Mr. J. P. Sonthalia - Managing Director (Designate)-Chloro Chemicals*<br>3. Mr. T. D. Bahety - Whole Time Director | Key Management Personnel |
| 4. Mr. S. V. Kanoria<br>5. Mrs. V. Kanoria | Relative of Key Management Personnel |
| 6. KPL International Limited | Enterprises over which Key Management Personnel exercises significant influence |

* Till16th August, 2011

(ii) Transaction with related parties:

| | 2011-2012 | | | 2010-2011 | | |
|---|---|---|---|---|---|---|
| Nature of Transaction | Key Management Personnel | Relative of Key Management Personnel | Enterprises over which Key Management Personnel exercises significant influence | Key Management Personnel | Relative of Key Management Personnel | Enterprises over which Key Management Personnel exercises significant influence |
| Remuneration* | 18.28 | 4.72 | - | 22.34 | 3.19 | - |
| Dividend Paid | 2.19 | 2.78 | - | 0.66 | 0.83 | - |
| Sale of Fixed Assets/Goods | - | - | 2.30 | - | - | 3.65 |
| Commission Paid | - | - | - | - | - | 0.02 |
| Rent received | - | - | 0.59 | - | - | 1.34 |
| Rent Paid | - | - | 3.04 | - | - | 3.27 |
| Security Deposit Received | - | - | (0.24) | - | - | 0.05 |
| Security Deposit Paid | - | - | (0.36) | - | - | - |
| Balances due from | - | - | 1.20 | - | - | 1.32 |
| Balances due to | - | 0.45 | 0.05 | 6.20 | 0.34 | 0.02 |

* Current year increment of Rs.0.47 million is subject to approval of Central Government.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in million)

**35.** Financial Information regarding Subsidiary Company - Pipri Limited, pursuant to general exemption under section 212(8) of the Companies Act, 1956.

| | | 2011-2012 | 2010-2011 |
|---|---|---|---|
| (a) | Capital | 46.51 | 46.51 |
| (b) | Reserves | 33.40 | 29.92 |
| (c) | Total Liabilities | 0.30 | 3.40 |
| (d) | Total Assets (including Investments) | 80.21 | 79.83 |
| (e) | Turnover (Gross Revenue) | 4.23 | 5.95 |
| (f) | Profit before Taxation | 3.91 | 5.27 |
| (g) | Provision for Taxation | 0.43 | 0.75 |
| (h) | Profit after Taxation | 3.48 | 4.52 |
| (i) | Proposed Dividend | - | 2.79 |
| (j) | Details of Investments: | | |
| | **Non-Current** | | |
| | In Quoted Equity Shares | 13.52 | 44.90 |
| | In Quoted Debentures | 0.13 | 0.25 |
| | In Unquoted Debentures | 1.33 | 10.00 |
| | In Unquoted Equity Shares | 22.13 | 3.40 |
| | In Mutual Funds | 36.44 | 8.31 |
| | **Current** | | |
| | In Mutual Funds | 5.24 | 10.90 |
| | **Total** | **78.79** | **77.76** |

**36.** The financial statements for the year ended 31st March, 2011 had been prepared as per the applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31st March,2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements except for accounting for dividend on investments in subsidiaries.

Signatures to Notes 1 to 36

For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518

Camp: New Delhi
Dated, the 11th day of May 2012

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

# KANORIA CHEMICALS & INDUSTRIES LIMITED

Registered Office: 'PARK PLAZA', 71 PARK STREET, KOLKATA-700 016

**ATTENDANCE SLIP**

**FIFTY SECOND ANNUAL GENERAL MEETING ON WEDNESDAY, 8TH AUGUST 2012 AT 2.30 P.M.**

| Name of shareholder | Folio No. / DP ID & Client ID | No. of Shares |
|---|---|---|
| | | |

I/We certify that I am/We are registered shareholder/s/proxy for the registered shareholder/s of the Company.

I/We hereby record my/our presence at the **FIFTY SECOND ANNUAL GENERAL MEETING** of the Company at "Shripati Singhania Hall" in Rotary Sadan, 94/2 Chowringhee Road, Kolkata-700 020 on **WEDNESDAY, 8TH AUGUST 2012.**

.....

Member(s)/Proxy Signature

Note: Please fill this attendance slip and hand it over at the ENTRANCE OF THE HALL.

— — — — — — — — — — — — — — — — — — — — (TEAR HERE) — — — — — — — — — — — — — — — — — — — —

# KANORIA CHEMICALS & INDUSTRIES LIMITED

**FORM OF PROXY**

Registered Office: 'PARK PLAZA', 71 PARK STREET, KOLKATA-700 016

I/We .....

of .....being a member/members of

KANORIA CHEMICALS & INDUSTRIES LIMITED hereby appoint .....

of .....or failing him

.....of .....

as my/our proxy to attend and vote for me/us on my/our behalf at the **FIFTY SECOND ANNUAL GENERAL MEETING** of the Company to be held on **WEDNESDAY, 8TH AUGUST 2012 at 2.30 P.M.** and at any adjournment thereof.

Affix a Revenue Stamp

Signed this .....day of .....2012.

Folio No. / DP ID & Client ID

Signature.....

No. of Shares:

**Note: Proxy Form duly completed must reach the Company's Registered Office/Registrar & Share Transfer Agent, C.B. Management Services (P) Limited, P-22 Bondel Road, Kolkata - 700019 not less than 48 hours before the time for holding the Meeting.**

# KANORIA CHEMICALS & INDUSTRIES LIMITED

## NATIONAL ELECTRONIC CLEARING SERVICES (NECS) MANDATE FORMAT

C B Management Services (P) Limited
Unit: Kanoria Chemicals & Industries Limited
P-22 Bondel Road
Kolkata 700 019

Dear Sirs,

### FORM FOR NATIONAL ELECTRONIC CLEARING SERVICES-MANDATE OF DIVIDEND

I hereby give my mandate to credit my Dividend on the Shares held by me under the Folio mentioned below directly to my bank account through the National Electronic Clearing System (NECS) to prepare my dividend warrant with details of my Bank Account No. and name of the Bank and Branch. The details of the Bank Account is given below :

| | |
|---|---|
| Master Folio No. | FOR OFFICE USE ONLY<br>NECS Ref.No. |

No. of Shares held

| | |
|---|---|
| Name of First holder | |
| Bank Name | |
| Branch Name | |
| Branch Code | (9 Digits Code Number appearing on the MICR Band of the cheque supplied by the Bank). Please attach a xerox copy of a cheque or a blank cheque of your bank duly cancelled for ensuring accuracy of the bank's name, branch name and code number. |

| | | | |
|---|---|---|---|
| Account type (Please ) √ | Savings | Current | Cash Credit |
| A/c No.(as appearing in the cheque book) | | | |
| Effective date of this mandate | | | |

I, hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, C.B. Management Services (P) Limited/the Company will not be held responsible. I agree to avail the NECS facility provided by RBI, as and when implemented by Kanoria Chemicals & Industries Limited.

I further undertake to inform the Company/Registrar and Share Transfer Agents any change in my Bank/branch and account number.

Place :

Date : (Signature of First holder)