Kanoria Chemicals
& Industries Limited

ANNUAL REPORT 2012-13

Kanoria Chemicals & Industries Limited

COMPANY SECRETARY

N.K. Sethia

AUDITORS

Singhi & Co.
Chartered Accountants
1-B, Old Post Office Street
Kolkata - 700 001

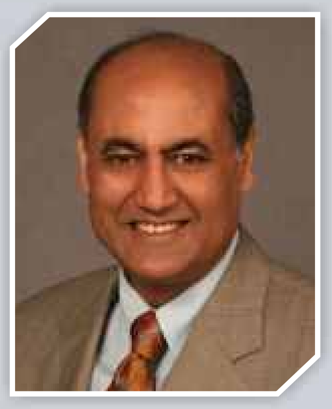
BANKERS

DBS Bank Limited
HDFC Bank Limited
Yes Bank Limited

REGISTERED OFFICE

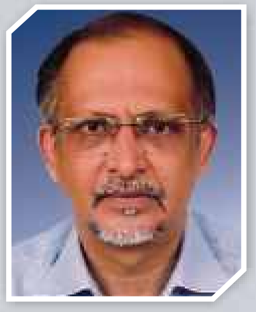
'Park Plaza'
71, Park Street
Kolkata - 700 016

Alco Chemicals Division, Vishakhapatnam



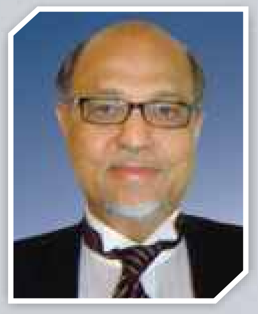
R V Kanoria

BOARD OF DIRECTORS



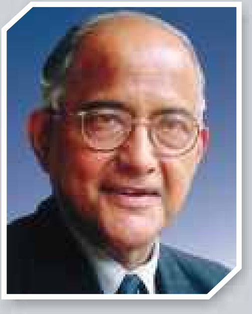
H K Khaitan

Amitav Kothari



Ravinder Nath

G Parthasarathy

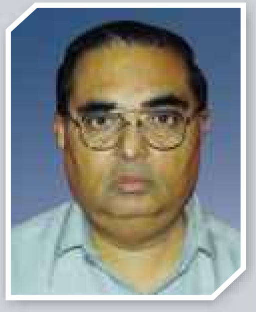


S L Rao

B D Sureka

A Vellayan

J P Sonthalia



T D Bahety

View from the Tank Farm, Vishakhapatnam

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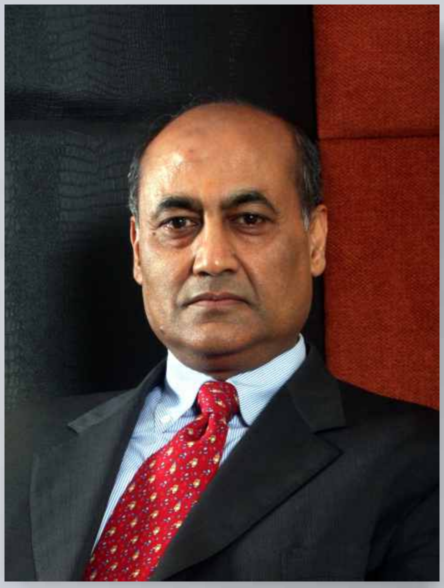


The year 2012-13 remained challenging for Indian industry. There was persisting concern with high fiscal and current account deficits, lower than potential economic growth and high inflation. One of the only differences from the crisis the country faced in 1991 was the foreign exchange reserves. Back then, India's foreign exchange reserves had fallen to a level that was enough to finance just three weeks of imports, whereas currently the country's reserves are adequate to cover about seven months of imports.

The situation is alarming enough and it is imperative for the government to strike a trade off between economic growth and inflation. In my view, a tight monetary policy to control inflation cannot be sustained over time as much of it is driven by supply side constraints. The 12th Five Year plan seeks to address these constraints and one looks forward to effective implementation and thus finding a lasting solution. If not, then the economy could land up in further trouble over the medium term.

One of the key manifestations of prolonged economic slowdown is the erosion in investor confidence. Widespread economic reforms of the 1990s had helped in developing confidence in a process that generated capital, raised standards of living, created employment and offered more choice of affordable and quality products to Indian citizens.

The mood, however, has changed and investors are currently undecided and sitting on the fence. The economy desperately needs confidence boosters and economic reforms need re-emphasis, particularly in view of several decisions pending with the government and also the stalling of parliamentary proceedings. Apart from providing timely policy thrusts, the role of the government is critical in creating employment opportunities for millions of youth in our country whose aspirations have to be met. It is ironical that between 2005 and 2009, despite growth, employment has remained static. The path of economic growth has also to be inclusive; otherwise we expose ourselves to the risk of social tension.

The need of the hour is strong governance. Policies and legislation need to be carried out with conviction rather than compromise. I fear that currently decisions are being guided by emotions and public pressure and not entirely by rational thought. Parochial policies are unlikely to benefit the nation that is grappling with large scale discontent.

Industry feels pressured in the prevailing economic conditions. Most countries welcome investors and help them in case of difficulties. The government has to be proactive and not responsive to the problems being faced by industry. Industry in our country too needs to be felt welcome. It appears that we wait inordinately for problems to become more complex and debilitating before looking for solutions. Economic policies once laid down should be able to achieve the desired objectives rather that requiring interventions every now and then. I believe that in guiding industry, the role of the state must reduce. Transparent regulation and prevention of frauds must be a priority. This is the only way to cull over deep rooted corruption and misuse of authority.

Controlling fiscal deficit is a crucial need and the current state of government finances leaves little room for manoeuvrability. Not only is there a case of limiting non-merit subsidies in the economy to a bare minimum, there is an equally important need to ensure efficient disbursal of merit subsidies. The Direct Cash Transfer scheme is a laudable initiative. Equally encouraging is the calibrated dismantling of the administered prices in petroleum products.

Coalition politics is expected to be more of a rule than an exception and is here to stay. In the absence of electoral reforms, regional political parties attain national status, as such there is bound to be further fragmentation. True political consensus has eluded us so far and it is imperative that political parties work together and move above narrow partisan ideologies. They must work collectively for the nation's growth. We need to shift to issue based politics rather than continue with party based politics.

The year 2014 being an election year, I hope that the government would shun taking populist policy measures. I look to the future with optimism and believe that no matter which government comes to power; its success would depend on higher economic growth and unflinching ability to take bold decisions in favour of the well being of the country as a whole.

As I had reported last year, KCI has been embarking on diversification projects following the Company's divestment of its Chlor-Alkali business in the year 2011. The focus is on knowledge based and environment friendly high growth areas, as well as towards expanding the Company's international footprint.

During the year, the Company successfully commissioned a 5 MW Solar Power Plant in Jodhpur district in the state of Rajasthan. The first phase of the project was completed in June 2012 by commencing generation of 2.5 MW. The second phase consisting of the balance 2.5 MW was completed in February 2013. This has enabled the Company to acquire knowledge and experience in this sector and has paved the way for future expansions in renewable energy projects.

As a forward integration project, KCI set up an automated Resin Plant in its manufacturing facility at Vishakhapatnam in the state of Andhra Pradesh. With an output capacity of 3,000 MT per annum, the plant would provide an important avenue of value addition to the existing product line.

As I had mentioned last year, KCI was in the process of setting up a Greenfield textiles manufacturing project in Africa. During the year, a wholly owned subsidiary of the Company, Kanoria Africa Textiles plc was incorporated in Ethiopia for manufacturing Denim. The land for the project has been allotted about 44 kilometres away from the capital Addis Ababa. Preliminary work is under way and the plant is expected to be commissioned by the later part of 2014. When completed, it will produce 12 million metres of Denim per annum.

The Company's other international subsidiary, APAG Elektronik, which was acquired in May 2012 continued to perform well. During the year, APAG witnessed robust growth in new business in the automotive industry. To cater to the enhanced business, it significantly increased the size of its development team. At a time of suppressed economic conditions in Europe, such increase in business in my mind speaks highly about APAG's inherent strength and capability. It is also in the process of increasing its manufacturing capacity located in the Czech Republic by way of modernizing the current production line, as well as building a new Greenfield plant nearby that is expected to be ready by the third quarter of 2014.

Despite the slow economic growth during the last year, we are optimistic in looking ahead with a diversified portfolio. This optimism emanates from our understanding of the Indian market, a constant vigil on costs, choice of technology and our belief in sustainable growth. I am confident that we will not only maintain our record of profitable business of over five decades, but our new business avenues and enhanced international linkages will enable us to perform even better.

R V Kanoria
Chairman & Managing Director

THE YEAR IN REVIEW

The slowdown in the economy continued to impact industry throughout 2012-13. The industrial production in the country grew at a moderate rate of 1.1% at the back of compressed investment and dip in confidence levels.

Sluggish economic conditions notwithstanding, KCI was able to maintain profitability and returns to shareholders with its steady vigil on costs and a well placed diversification plan.

As a forward integration project, the Company commissioned an automated Phenol Formaldehyde resin plant at Vishakhapatnam, with a capacity of 3,000 MT per annum.

The diversification initiatives of the Company are described in the subsequent section titled 'New Frontiers'.

R&D Centre, Ankleshwar

MANAGEMENT DISCUSSION & ANALYSIS

Financial Performance with respect to Operational Performance

During the year under review, the Revenue from Operations was at ₹ 2,426 million as compared to ₹ 2,905 million in the previous year. The Profit before exceptional and extraordinary items and Tax was at ₹ 75 million as against ₹ 135 million in the previous year. The Net Profit for the year was ₹ 48 million.

On a consolidated basis, the Revenue from Operations was at ₹ 3,714 million as compared to ₹ 2,906 million in the previous year. The Profit before exceptional and extraordinary items and Tax was at ₹ 116 million as against ₹ 136 million in the previous year. The Net Profit for the year was ₹ 79 million.

Alco Chemicals Segment

Industry structure and development

The Alco Chemicals Division located at Ankleshwar, Gujarat is engaged in 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 other Alco Chemicals Division at Vishakhapatnam increases the Company's production capacity of Formaldehyde and Hexamine.

Opportunities

- The Alco Chemicals Divisions of the Company have highly integrated manufacturing process. This, along with a continuous vigil on costs, ensures a low cost structure and makes the products of the Divisions competitive in both domestic and international markets. The environment management initiatives of the Company including pioneering efforts in treatment and recycling of distillery effluent helps the Division to maintain sustainable growth. The Company's Vishakhapatnam plant provides an important sea link from the Vishakhapatnam and Gangavaram ports located close to the manufacturing facility.
- Market leadership in several products provides the Company a competitive advantage in the market.
- The Divisions are located in close proximity to sources of raw materials as well as markets for finished products, thus positioning the Company

Alco Chemicals Division, Ankleshwar

strongly to cater to steady demand from user industries such as paints, resins and laminates.

Threats

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

Performance

- The operations of the Alco Chemicals Divisions remained stable during the year. Revenue from the sale of Pentaerythritol during 2012-13 was ₹ 743 million compared to ₹ 662 million in the previous year. Production of Formaldehyde also improved and revenue accruing from it increased from ₹ 836 million in 2011-12 to ₹ 1,114 million in 2012-13. Revenue from the sale of Hexamine was ₹ 489 million in 2012-13 compared to ₹ 470 million in the previous year.

Outlook

- Market leadership position in several products provides the Divisions a competitive edge in the market. 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.

Automated Resin Plant, Vishakhapatnam

CAPACITY EXPANSION DURING THE YEAR

The Company set up an automated Resin Plant at Vishakhapatnam, with a capacity of 3,000 MT per annum of Phenol Formaldehyde resins.

QUALITY ACCREDITATION AND OHSAS

During the year, both manufacturing units of the Company at Ankleshwar and Vishakhapatnam 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

During 2012-13, the Company maintained its safety record and it remained an accident free year at all units.

KCI continued with 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 the Company's operations.

KCI's highly successful 'Waste to Wealth' programme for treatment and handling of distillery effluents at the Company'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 cheap imports and dumping by other countries negatively impacts 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. During the year, KCI conducted 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 332.

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

ANNUAL REPORT 2012-13

After over 50 years of manufacturing quality chemicals, KCI's business strategy now encompasses diversification activities both in value-added chemicals and in other knowledge based sectors.


Solar Energy Panels, District Jodhpur, Rajasthan

RENEWABLE ENERGY

Renewable energy has received close focus of the Company. Its initiatives in biomass based power generation is part of the highly successful 'Waste to Wealth' programme run at Alco Chemicals Division of the Company at Ankleshwar in the state of Gujarat. With deep conviction, KCI has now forayed into the area of solar energy. It set up a grid-interactive solar photovoltaic technology based power plant at Phalodi in Jodhpur district in the state of Rajasthan. The first phase of the project constituting of 2.5 MW was completed in June 2012 and the balance 2.5 MW became operational in February 2013.

RESIN PLANT

As a forward integrated value addition project, KCI set up an automated Resin Plant at Vishakhapatnam, with a capacity of 3,000 MT per annum of Phenol Formaldehyde resins.



Inside views of Resin Plant, Vishakhapatnam

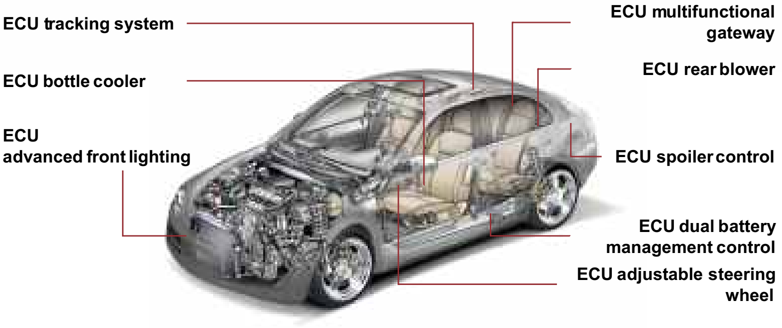
TEXTILE PROJECT, ETHIOPIA

During the year, a wholly owned subsidiary of the Company, Kanoria Africa Textiles Plc. was incorporated in Ethiopia, Africa. A manufacturing plant is being set up there to manufacture 12 million metres of Denim per annum. Necessary land for the project has already been allotted and preliminary work is progressing satisfactorily. The Plant is expected to be commissioned by the end of 2014.

Textile Project Site, Debre Zeyit, Ethiopia

APAG ELEKTRONIK

KCI acquired 90% stake in APAG Holding AG, Switzerland in the year 2012. APAG Holding AG, through its wholly owned subsidiary, APAG Elektronik 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.



For APAG Elektronik, the year was an eventful one. Kanoria Chemicals & Industries Limited (KCI) bought majority stake of the APAG shares in May 2012. During fall 2012, a Group Diagnostic of Organizational Readiness and Health was conducted to ensure that the planned growth of the company was based on solid fundamentals. It was one of the most successful years in APAG's history from the perspective of developing new businesses in the automotive industry. APAG Elektronik will equip Electronic Control Units (ECU) in the next generations of vehicles, such as:

a) BMW 7series, 5series: ELSV Electronically Adjustable Steering Column

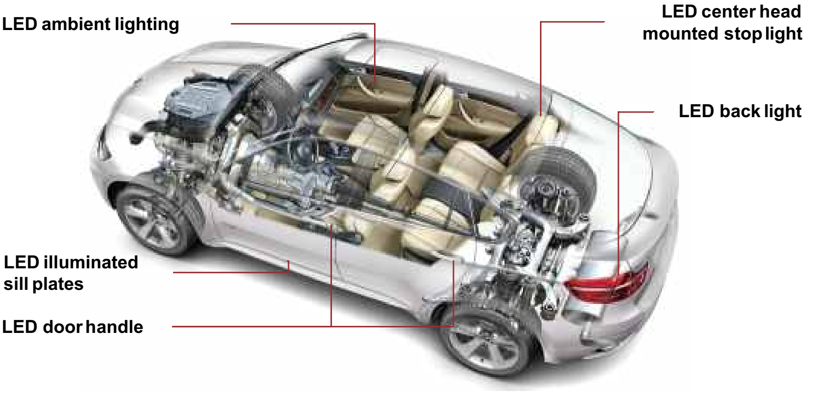
b) BMW Mini: Gearshift Lever Illumination

c) AUDI Q7, A4: OHC Overhead Console Lamp Front and Rear Seats

d) AUDI TT and A7: LED Rear Light (engineering order which may lead to a production order)

e) Volkswagen Golf, Passat, Touran: ECU Multi Purpose Module Generation IV

f) BMW current 5 series, Mercedes next generation C Class: illuminated Door Sill Plate



Although APAG Elektronik sro, the manufacturing arm of APAG in the Czech Republic, did not face any major shortage in production during the year and managed to ensure timely delivery to customers, it was evident that the production capacity needs to be enhanced to cater to increasing demand generated by new businesses. This is to be achieved in two significant steps:

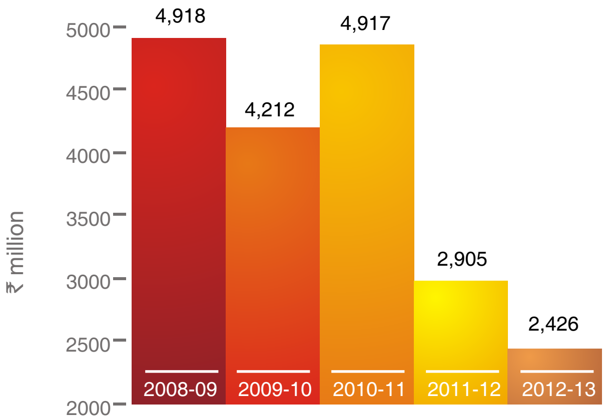
- Firstly, to double the production capacity by replacing one of the two Surface Mounted Devices (SMD) Lines with a High Speed SMD-Line, to be operational by August 2013. The decision to enhance capacity was driven by three main factors: (a) to guarantee the current output, (b) to increase output to meet additional demand as planned for 2014, and (c) to significantly reduce production costs.
- Secondly, to set up a Greenfield plant approximately 10 kilometres from the current production facility, thus tripling the production area. The new building is expected to be ready by the third quarter of 2014.

During the year APAG introduced a solder robot. This is the first time that this kind of automation has been used to (a) reduce costs of manpower and (b) improve quality by eliminating the 'human factor' involved

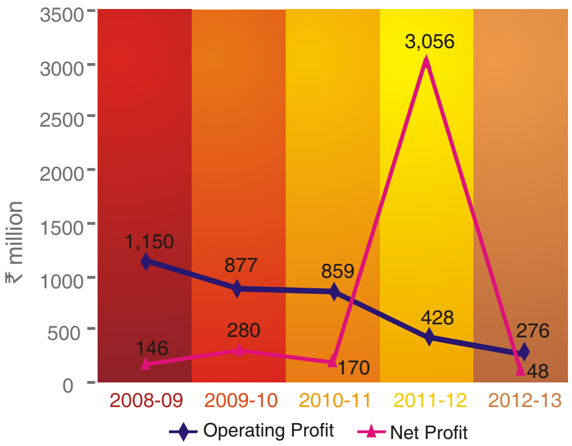
Development Projects during the year

Client	Project
Audi/VW	• STS Car Sharing and STS MQB • MFG Multi Purpose Module MFG III, IV • EVLS Electrically adjustable Power Steering Column for next generation A8, Q7
Bentley	• Rear Blower • Bootle Cooler ECU
BMW	• OVT (Door Handle Illumination) for next generation X5/X6 and Mini • GZA (ECU Direct Spot Light) • eLSV Electrically adjustable Power Steering Column for next generation X5, X6, 5series, 7series
VW T ruck	• MFG Multi Purpose Module MFG II (ABH)
Weidmann / Daimler and BMW	• LED Illumination for Door Sill Plate
Eissmann	• Gear Shift Illumination for next generation Mini and BMW 1series
OLSA	• Rear Light Turn Indicator and Stop Light for next generation Audi A7 and TT
Bucher Schörling	• Interface NGS4 for Cleaning Vehicles

Value

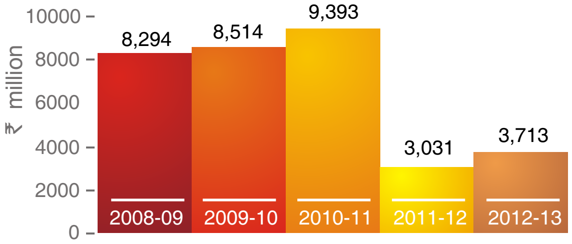


Net Sales

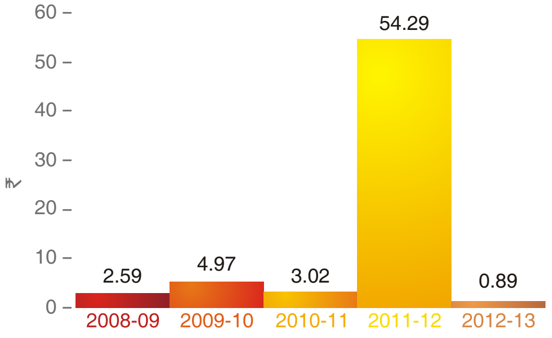


Operating* and Net Profit

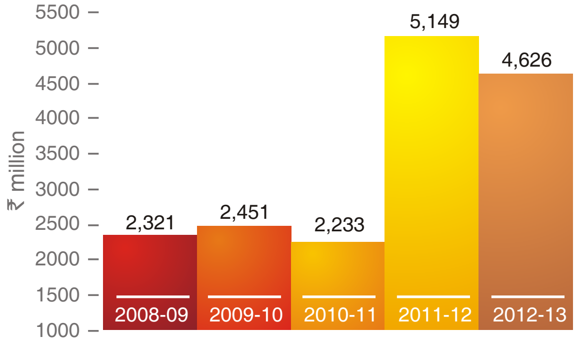
* excluding profit from divestment of Chloro Chemicals Division



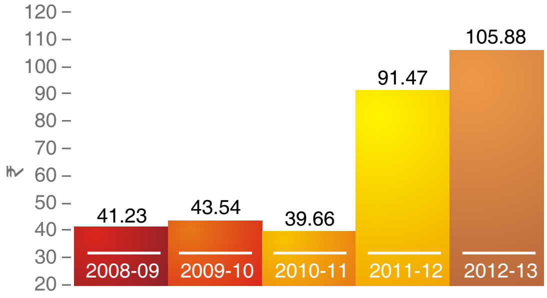
Gross Block



Earning per Share



Equity Shareholders Fund



Book Value per Share

View over the Tank Farm, Vishakhapatnam

DIRECTORS' REPORT

TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the fifty third Annual Report, along with the Audited Accounts of the Company for the year ended 31st March 2013.

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 sections titled 'Year in Review' and 'New Frontiers'. 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 2013 is summarized below:

(₹ in million)

	2012-13	2011-12
Profit before Depreciation and Amortisation, Finance Costs, Exceptional Items and Tax Expenses	275.76	427.59
Less: Finance Costs	68.94	136.01
Depreciation and Amortisation	131.36	157.03
Profit before Exceptional Items and Tax	**75.46**	**134.55**
Add: Exceptional Items	-	3,570.37
Profit before Tax	**75.46**	**3,704.92**
Add: Taxation For earlier year	0.04	0.02
Less: Current Tax	10.44	1,055.53
Deferred Tax	17.39	(347.90)
Add: MAT Credit Entitlement	-	58.90
Profit for the year	**47.67**	**3,056.21**
Add: Balance in Profit & Loss Account	1,549.58	91.51
	1,597.25	3,147.72
Less Appropriations		
Transfer to General Reserve	5.00	1,500.00
Proposed Dividend on Equity Shares	65.54	84.44
Provision for Dividend Tax	11.14	13.70
	81.68	1,598.14
Closing Balance	**1,515.57**	**1,549.58**

OVERVIEW

During the year, the Company successfully commissioned a 5 MW Solar Power Plant in Jodhpur district in the state of Rajasthan. The first phase of the project constituting of 2.5 MW was completed on 22nd June 2012 and the balance 2.5 MW became operational on 8th February 2013.

The Company set up an automated Resin Plant at Vishakhapatnam, with a capacity of 3,000 MT per annum of Phenol Formaldehyde resins.

During the year, a wholly owned subsidiary of the Company, Kanoria Africa Textiles Plc. was incorporated in Ethiopia, Africa. A manufacturing plant is being set up there to manufacture 12 million metres of Denim per annum. Necessary land for the project has already been allotted and preliminary work is progressing satisfactorily. The Plant is expected to be commissioned by the end of 2014.

The Company acquired 90% stake in APAG Holding AG, Switzerland in the year 2012. APAG Holding AG, through its wholly owned subsidiary, APAG Elektronik 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. APAG's performance during the year was noteworthy with significant new business opportunities in the automotive sector. It now proposes to increase its production capacity through modernizing its production line, as well as setting up an additional Greenfield plant near its existing manufacturing facility in the Czech Republic. During the year it also strengthened its development team to cater to prospective new business.

BUYBACK OFFER

During the year, the Company made a Public Announcement on 17th August 2012, for Buyback of its Equity Shares of ₹ 5/- each from the shareholders from the Open Market, at a maximum price not exceeding ₹ 42/- per Equity Share, for an aggregate amount not exceeding ₹ 50.40 Crore, excluding the transaction cost. The Buyback commenced on 4th September 2012 and closed on 28th February 2013. The total number of Equity Shares bought back under the Buyback offer was 12,603,167 and the total amount utilized in this regard amounted to ₹ 49.42 Crore, excluding the transaction cost. After the buyback and extinguishment of its Equity Shares, the paid up Capital of the Company stands at ₹ 218,466,665/-.

Consequent to buyback of its Equity Shares and extinguishment thereof, the Company has become a subsidiary of Vardhan Limited, a promoter group company, with effect from 28th December, 2012.

DIVIDEND

The Board of Directors recommends, for consideration of shareholders at the Annual General Meeting, a Dividend @ 30% (₹ 1.50 per share) on Equity Shares of ₹ 5/- each for the year ended 31st March 2013.

CREDIT RATINGS

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

CARE has also reaffirmed CARE AA- (Double A Minus) rating for the long term facilities of the Company. This rating signifies high degree of safety for timely servicing of financial obligations and carries very 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 2013, 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 T. D. Bahety has been re-appointed as Wholetime Director of the Company for a period of three years with effect from 20th May, 2013, as per approval of the shareholders of the Company vide Special Resolution passed through Postal Ballot on 30th March 2013.

Shri H. K. Khaitan, Shri J. P. Sonthalia and Shri Ravinder Nath, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

Brief resumes of the above Directors, names of other companies in which they hold directorship, chairmanships and/or memberships 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. Prof. S. L. Rao, a Director of the Company, has been inducted as a Member of the Committee with effect from. 8th February, 2013. The Committee is chaired by Shri Amitav Kothari and includes Shri B. D. Sureka and Shri H. K. Khaitan as its other Members.

CORPORATE GOVERNANCE

The Company adheres to good governance practices. 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 Company's human resource development is founded on a strong set of values. The policies seek to instil spirit of trust, transparency and dignity among all employees and thus have contributed to continuous growth. 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

The Company has continuously strived to make socially useful investment and corporate social responsibility is an important component of KCI's business strategy. Subsequent to the divestment of its Cholr Alkali manufacturing at Renukoot where the company had a strong CSR programme, KCI is now in the process of identifying other areas of intervention and continues to fulfil its larger social commitment.

SUBSIDIARY COMPANIES

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 its subsidiary companies, with its Balance Sheet. However, the said documents of the subsidiary companies are available for inspection by the members at the Registered Office of the Company and that of the respective subsidiary companies. The members of the Company interested in obtaining the said documents may write to the Company Secretary at the Registered Office of the Company. The consolidated financial statements of the Company include the financial results of its subsidiary companies.

Kanoria Africa Textiles Plc., Ethiopia; Africa has become a wholly owned subsidiary of the Company with effect from 23rd July 2012.

AUDITORS

Messrs Singhi & Co., Chartered Accountants, Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. With regard to comments in the Auditor's Report, the Note on Accounts referred to in the Auditor's Report is self-explanatory.

COST AUDITORS

The Central Government has approved the appointment of the following Cost Auditors for conducting the cost audit of the Company for the financial year 2012-13:

(1) For Organic and Inorganic Chemicals - 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.

The Cost Audit Reports of the Company for the financial year 2011-12 have been filed by the Cost Auditors with the Ministry of Corporate Affairs on 28th February 2013, within the due date.

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 2013.

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

Registered Office
'Park Plaza'
71, Park Street
Kolkata - 700 016
Dated, the 23rd day of May 2013

R.V. Kanoria
Chairman & Managing Director

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 2013

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 pumps with lower capacity pumps after proper load analysis.
- Use of cooling water for temperature control in place of Chilled Water.
- Replacement of Pressurized Economizer with higher capacity for better recovery of flue gas heat.
- Installation of VFDs to optimise the power consumption in various sections

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

		2012-13	2011-12
Electricity			
i) a) Purchased (includes inter unit transfer)			
Unit (thousand KWH)		15,833	44,480
Total Amount (₹ million)		103.61	202.87
Rate/Unit (₹)		6.54	4.56
b) Own Generation			
Through Diesel Generator			
Units (thousand KWH)		35	61
Units per litre of Diesel Oil		2.75	2.75
Cost/Unit (₹)		17.38	16.67
ii) Power Generation Division			
Through steam turbine/generator			
Units (thousand KWH) (Net)		-	50,144
Cost/Unit (₹) (Coal & Fuel oil)		-	1.93
iii) Other Internal Generation			
Units (thousand KWH)		5,675	17,713
Cost/Unit (₹)		7.40	5.47
Coal			
i) Coal (used for generation of steam in boilers)			
Quantity (M.T.)		-	2,672
Total Amount (₹ million)		-	4.42
Average Rate/M.T. (₹)		-	1,654.19
ii) Coal (used for generation of Electricity)			
Quantity (M.T.)		-	51,127
Total Amount (₹ million)		-	96.27
Average Rate/M.T.(₹)		-	1,882.96
Furnace Oil			
Quantity (Litres)		15,829	6,866
Total Cost (₹ million)		0.60	0.27
Average Rate/Ltr. (₹)		37.91	39.32
Diesel Oil			
Quantity (Litres)		12,706	36,796
Total Cost (₹ million)		0.60	1.51
Average Rate/Ltr. (₹)		47.22	41.04
Natural Gas			
Quantity (thousand SM^3)		6,334	11,521
Total Cost (₹ million)		186.07	236.93
Cost/Unit (₹)		29.38	20.57
Consumption per unit of production			
Electricity (KWH)			
Pentaerythritol	M.T.	896	951
Formaldehyde	M.T.	94	94
Hexamine	M.T.	128	137
Industrial Alcohol	K.L.	323	314
Caustic Soda	M.T.	-	2,695

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 is carrying out R&D work for development of value added products.

b) Benefits derived as a result of above efforts:

- Developed a few value added products.

c) Future plan of action:

- To commercialise the products developed.
- To develop products on Contract Research.

d) Expenditure on R & D:

i.	Capital	₹ 1.10 million
ii.	Recurring	₹ 5.64 million
iii.	Total	₹ 6.74 million
iv.	% of Total turnover	0.28%

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:

The Company is continuously making efforts to increase its exports.

b) Total foreign exchange used and earned:

Used ₹ 756.12 million
Earned ₹ 53.72 million

For and on behalf of the Board

Registered Office
'Park Plaza'
71, Park Street
Kolkata - 700 016
Dated, the 23rd day of May 2013

R.V. Kanoria
Chairman & Managing Director

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 2013

Name	Designation	Remuneration (₹)	Qualification(s)	Age (Years)	Experience (Years)	Date of joining	Last Employment
Kanoria R.V.	Chairman & Managing Director	11,006,000	B.Sc., MBA (Hons)	58	39	10.01.1983	_

Notes :

1. Remuneration includes Salary, House Rent Allowance, Company's contribution to Provident Fund, Leave Travel Assistance, Medical and other facilities, as applicable.
2. 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 year, which includes ₹ 5,630,000 in excess of limit specified under Section 309 (3) read with Schedule XIII of the Act, is subject to the approval of the Central Government, which is awaited.
3. The appointment is contractual.
4. The above employee is not a relative of any Director of the Company and does not hold more than 2% of Paid up Capital of the Company.

For and on behalf of the Board

Registered Office
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Kolkata - 700 016
Dated, the 23rd day of May 2013

R.V. Kanoria
Chairman & Managing Director

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 2013 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 39 years of commercial and industrial experience. Shri T.D. Bahety, B.Sc., Chem (Hons), Jute Technologist, having 55 years of industrial and administrative experience, is the Wholetime Director of the Company.

During the year under review, the Board met four times; on 11th May 2012, 8th August 2012, 9th November 2012 and 8th February 2013.

The constitution of the Board during the year ended 31st March 2013 and attendance at the Board Meetings, last Annual General Meeting and the Directorship, Chairmanship and/or Membership of Committees held as on 31st March 2013 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	4	Yes	Promoter - Chairman & Managing Director	7	1	1
Shri Amitav Kothari	3	Yes	Independent Director	3	-	3
Shri H.K. Khaitan	4	Yes	Independent Director	4	2	-
Shri Ravinder Nath	3	Yes	Independent Director	3	1	1
Shri G. Parthasarathy	3	Yes	Independent Director	-	-	-
Prof. S.L. Rao	4	Yes	Independent Director	3	3	-
Shri B.D. Sureka	2	Yes	Independent Director	4	1	-
Shri A. Vellayan	1	Yes	Independent Director	5	-	1
Shri J. P. Sonthalia	4	Yes	Non-executive Director	4	-	1
Shri T.D. Bahety	4	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

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. The Committee was reconstituted during the year and Prof. S. L. Rao, a Director of the Company, was inducted as a Member of the Committee with effect from. 8th February 2013. The Committee is chaired by Shri Amitav Kothari and includes Shri B. D. Sureka and Shri H. K. Khaitan as its other Members.

During the year under review, the Committee met four times; on 11th May 2012, 8th August 2012, 9th November 2012 and 2nd February 2013.

Attendance of Members at Audit Committee Meetings held during the year 2012-13:

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 11th May 2012 and 9th November 2012.

Attendance of Members at Shareholders'/Investors' Grievances Committee Meetings held during the year 2012-13:

Name of Director	No. of Meetings attended
Shri B. D. Sureka	1
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 three times; on 11th May 2012, 8th August 2012 and 8th February 2013.

Attendance of Members at Remuneration and Selection Committee Meetings held during the year 2012-13:

Name of Director	No. of Meetings attended
Prof. S.L. Rao	3
Shri Ravinder Nath	2
Shri H.K. Khaitan	3

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 ₹ 20,000/- for attending each Board, Audit and Remuneration and Selection Committee Meeting and ₹ 5,000/- for attending each other Committee Meeting.

Details of Remuneration paid or payable to Directors for the Financial Year ended 31st March 2013

(Figures in ₹)

Name of the Director	Salary	Perquisites and other benefits	Commission	Sitting Fees*	Total
Shri R.V. Kanoria**	6,240,000	4,766,000	-	-	11,006,000
Shri Amitav Kothari	-	-	-	140,000	140,000
Shri H.K. Khaitan	-	-	-	235,000	235,000
Shri Ravinder Nath	-	-	-	1,00,000	1,00,000
Shri G. Parthasarathy	-	-	-	60,000	60,000
Prof. S.L. Rao	-	-	-	1,40,000	1,40,000
Shri B.D. Sureka	-	-	-	90,000	90,000
Shri A. Vellayan	-	-	-	20,000	20,000
Shri J. P. Sonthalia	-	-	-	85,000	85,000
Shri T.D. Bahety	2,544,000	2,150,755	-	-	4,694,755

* Includes Sitting Fee paid for Committee Meetings.

** 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 year, which includes ₹ 5,630,000 in excess of limit specified under Section 309 (3) read with Schedule XIII of the Act, is subject to the approval of the Central Government, which is awaited.

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 Central Government.

** A new agreement for re-appointment of Shri T. D. Bahety as Wholetime Director of the Company for further three years w.e.f. 20th May, 2013 to 19th May 2016 has been entered and the same has been approved by the shareholders of the Company vide Special Resolution passed through Postal Ballot on 30th March 2013. 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 2013 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.

Equity Share Buyback Committee

During the year under reference, a Committee of the Board of Directors called Equity Share Buyback Committee was constituted, comprising of Shri R. V. Kanoria, Managing Director, Shri H. K. Khaitan, Shri B. D. Sureka and Shri J. P. Sonthalia, Directors, to perform the necessary activities as authorised by the Board with regard to the implementation of the Buyback Offer of the Company.

A Meeting of the Committee was held on 17th August 2012 which was attended by Shri H. K. Khaitan, Shri B. D. Sureka and Shri J. P. Sonthalia. In terms of its constitution, the Committee stands dissolved after the closure of Buyback Offer of the Company on the closing of market hours on 28th February 2013.

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 12th October 2012 and 8th March 2013.

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
2011-12	8th August 2012	2.30 P. M.	'Shripati Singhania Hall',	3
2010-11	12th August 2011	2.30 P. M.	Rotary Sadan, 94/2 Chowringhee Road,	3
2009-10	29th July 2010	2.30 P. M.	Kolkata-700 020	1

During the year 2012-13, the undernoted resolutions were passed through the following Postal Ballot Processes:

(1) A 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, for passing special resolutions under Sections 17 and 149 (2A) of the Companies Act, 1956. 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 11th July 2012 and the resolutions were passed with the requisite majority. The details of the result of the postal ballot voting are given below:

- for the special resolution under Section 17 of the Companies Act, 1956, relating to the amendment to the Object Clause of the Memorandum of Association of the Company:

Number of valid Postal Ballot Forms received	572
Percentage Votes in favour of the resolution	99.70
Percentage Votes against the resolution	0.30
Number of Invalid Ballot Forms received	52

- for the special resolution under Section 149 (2A) of the Companies Act, 1956, relating to commencement of new Businesses:

Number of valid Postal Ballot Forms received	542
Percentage Votes in favour of the resolution	99.70
Percentage Votes against the resolution	0.30
Number of Invalid Ballot Forms received	82

(2) A 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, for passing special resolutions - (i) under Section 198, 269, 309, read with Schedule XIII to the Companies Act, 1956, and (ii) under Section 314 (1B) of the Companies Act, 1956. 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 30th March 2013 and the resolutions were passed with the requisite majority. The details of the result of the postal ballot voting are given below:

- for the special resolution under Section 198, 269, 309, read with Schedule XIII to the Companies Act, 1956, relating to the re-appointment of Shri T. D. Bahety as Wholetime Director of the Company:

Number of valid Postal Ballot Forms received	411
Percentage Votes in favour of the resolution	99.61
Percentage Votes against the resolution	0.39
Number of Invalid Ballot Forms received	26

- for the special resolution under Section 314 (1B) of the Companies Act, 1956, relating to holding of office or place of profit in the Company as Chief Executive (Vizag Division) by Shri S.V. Kanoria, a relative of Shri R. V. Kanoria, Managing Director of the Company:

Number of valid Postal Ballot Forms received	391
Percentage Votes in favour of the resolution	99.61
Percentage Votes against the resolution	0.39
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 COMPANIES

The Company has no material non-listed Indian subsidiary company. The Audit Committee reviews the financial statements, particularly the investments made by the subsidiary companies. The minutes of the Board Meetings of the subsidiary companies 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. 38 of the Notes on Accounts attached with the financial statement for the year ended 31st March 2013. 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 lying in the Unclaimed Suspense Account at the beginning of 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:

i) 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. The Chairman of the Committee was present at the last Annual General Meeting of the Company held on 8th August 2012.

ii) During the year under review, there is no audit qualification in the financial statements. The Company adopts the best practices to ensure unqualified financial statements.

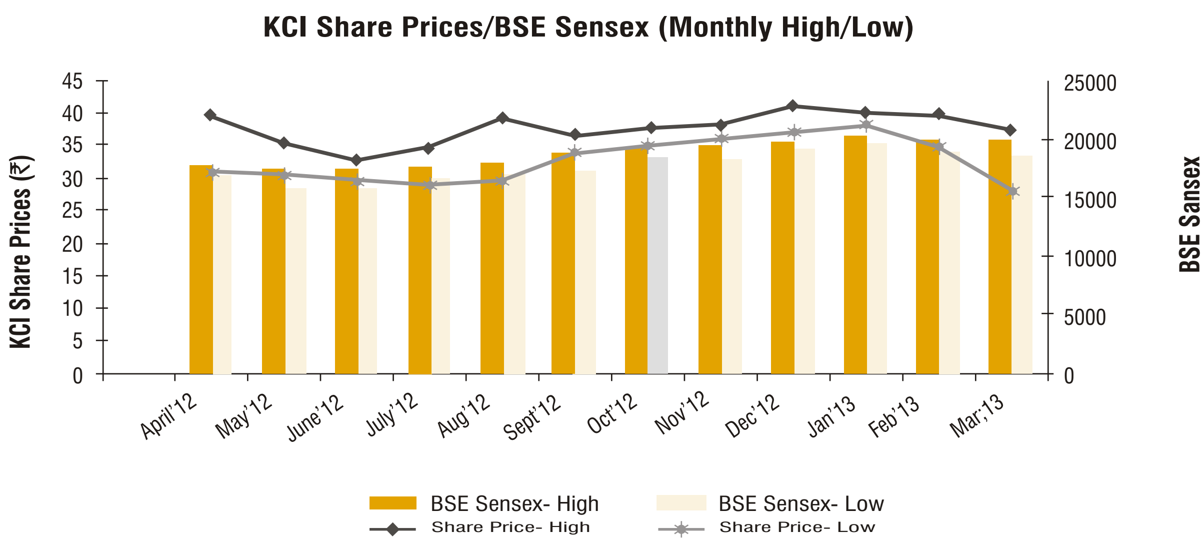
GENERAL SHAREHOLDERS' INFORMATION

1. Annual General Meeting	
■ Date and time	13th August 2013 at 2.30 P. M.
■ Venue	'Shripati Singhania Hall', Rotary Sadan 94/2 Chowringhee Road, Kolkata-700 020
2. Financial Calendar 2013-14 (tentative and subject to change)	
■ Financial Results for the: quarter ending 30th June 2013 quarter ending 30th September 2013 quarter ending 31st December 2013	Within 45 days of end of respective quarter
year ending 31st March 2014	By 30th May 2014
■ Annual General Meeting 2013-14	By September 2014
3. Date of Book Closure	30th July 2013 to 13th August 2013 (both days inclusive)
4. Dividend Payment Date	On and after 19th August 2013 (subject to shareholders' approval)
5. Listing on Stock Exchanges:	National Stock Exchange of India Ltd. 'Exchange Plaza' Bandra-Kurla Complex, Bandra (E) Mumbai - 400 051 www.nseindia.com Bombay Stock Exchange Ltd. P. J. Towers, Dalal Street, Fort Mumbai - 400 001 www.bseindia.com Note:Listing fee for the year 2013-14 has been paid to the above Stock Exchanges.
6. Stock Code: Bombay Stock Exchange Ltd. National Stock Exchange of India Ltd.	 50 6525 KANORICHEM

7. Stock Price Data (in ₹/per share):

Months	National Stock Exchange (NSE)*		Bombay Stock Exchange (BSE)*	
	High	Low	High	Low
April 2012	36.90	31.15	39.35	31.00
May 2012	35.50	30.55	35.25	30.40
June 2012	32.65	29.05	32.60	29.45
July 2012	34.90	29.15	34.70	28.90
August 2012	38.60	29.60	39.00	29.50
September 2012	37.60	34.30	36.45	34.00
October 2012	37.25	34.85	37.40	35.00
November 2012	38.45	35.50	38.25	36.05
December 2012	40.65	37.00	40.85	37.05
January 2013	40.00	38.00	39.90	38.00
February 2013	39.40	32.10	39.35	34.85
March 2013	38.35	28.00	37.35	28.00

*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 2012-13:

No. of valid share transfer applications received, processed and registered	10
No. of shares transferred	2,325
No. of share transfers in process as on 31.03.2013	NIL
No. of shares dematerialised	148,361
No. of shares rematerialized	NIL

During the year 2012-13, 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 4 complaints were received during the period 1st April 2012 to 31st March 2013 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	2	2	-
4.	Complaint through SEBI	-	-	-
5.	Complaint through Stock Exchanges	-	-	-
	Total	4	4	-

(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.

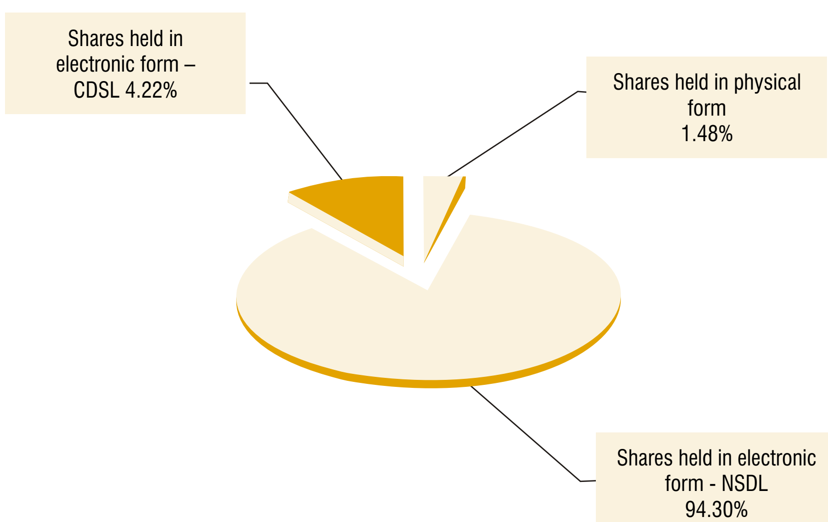
A total of 43,048,748 Equity Shares of the Company representing 98.52% of the Share Capital are dematerialised as on 31st March 2013.

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 2013-14 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.

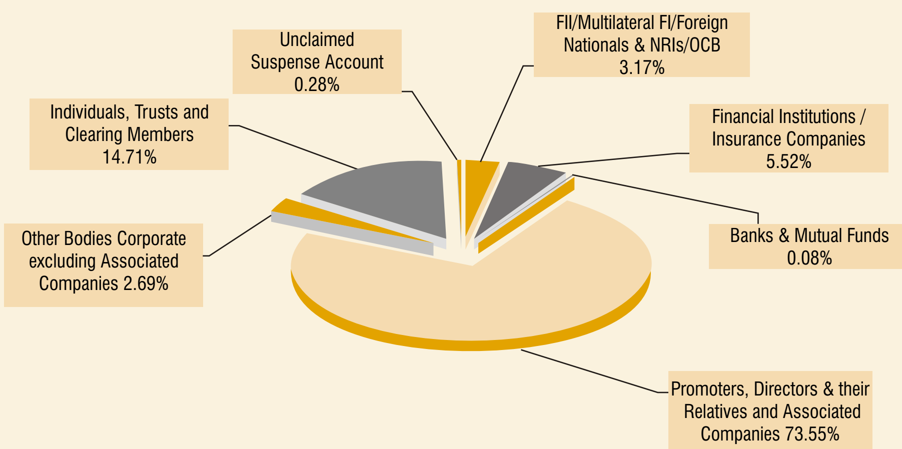
10. Distribution of Equity Shareholding as on 31st March 2013

Nominal value of Shareholding	Number of Shareholders		Number of Equity Shares	
	Total	% of Shareholders	Total	% of Share Capital
Up to ₹ 5,000	8,236	87.71	1,886,288	4.32
₹ 5,001 - ₹ 10,000	554	5.90	815,706	1.87
₹ 10,001 - ₹ 20,000	330	3.51	933,886	2.14
₹ 20,001 - ₹ 30,000	117	1.25	580,501	1.33
₹ 30,001 - ₹ 40,000	30	0.32	206,522	0.47
₹ 40,001 - ₹ 50,000	32	0.34	292,838	0.67
₹ 50,001 - ₹ 1,00,000	37	0.39	518,676	1.19
₹ 1,00,001 and above	54	0.58	38,458,916	88.01
Total	**9,390**	**100.00**	**43,693,333**	**100.00**

11. Equity Shareholding Pattern as on 31st March 2013

Category	No. of Shares held	% of Shareholding
FII/Multilateral FI/Foreign Nationals & NRIs/OCB	1,384,988	3.17
Financial Institutions / Insurance Companies	2,413,306	5.52
Banks & Mutual Funds	32,925	0.08
Promoters, Directors & their Relatives and Associated Companies	32,138,062	73.55
Other Bodies Corporate excluding Associated Companies	1,174,024	2.69
Individuals, Trusts and Clearing Members	6,429,572	14.71
Unclaimed Suspense Account	120,456	0.28
Total	**43,693,333**	**100.00**

Graphic Presentation of the Equity Shareholding Pattern as on 31.03.2013



12. Top Ten Shareholders of the Company as on 31st March 2013

Sl. No.	Name of Shareholders	No. of shares	% of shareholding
1	Vardhan Limited	25,733,079	58.89
2	R V Investment & Dealers Limited	3,210,120	7.35
3	IFCI Limited	1,200,000	2.75
4	Kirtivardhan Finvest Services Limited	1,154,907	2.64
5	Morgan Stanley Mauritius Company Limited	1,140,986	2.62
6	United India Insurance Co. Limited	756,693	1.73
7	Madhuvanti Kanoria	498,321	1.14
8	The Oriental Insurance Co. Limited	454,313	1.04
9	Rajya Vardhan Kanoria	434,985	1.00
10	Anand Vardhan Kanoria	434,739	0.99
	Total	**35,018,143**	**80.15**

13	Outstanding GDR/ADRs/Warrants or any convertible Instruments, conversion date and likely impact on equity.	The Company has not issued GDRs/ ADRs/ Warrants or any other convertible Instruments.
14	Plant Locations	**I Alcochem Ankleshwar Division** **Ankleshwar Chemical Works** 3407, GIDC Industrial Estate, P.O. Ankleshwar-393 002, Dist. Bharuch (Gujarat). **Bio-Compost Plant** Vill. Sengpur, Taluka: Ankleshwar-393 002, Dist. Bharuch (Gujarat). **Windfarm** Vill. Dhank ,Taluka: Upleta, Dist. Rajkot (Gujarat). **II Alcochem Vizag Division** Plot No.32, Jawaharlal Nehru Pharma City, Parwada, Vishakhapatnam – 531 021, Andhra Pradesh **III Solar Power Plant** Vill. Bawdi Barsinga, P.O. Bap, Tehsil: Phalodi, Dist. Jodhpur (Rajasthan)
15	Address for Correspondence: For Investors' matters	The Company Secretary Kanoria Chemicals & Industries Limited 'Park Plaza', 71 Park Street, Kolkata-700 016. Phone : (033) 2249-9472/73/74 Fax : (033) 2249-9466 Email : nksethia@kanoriachem.com Website: http://www.kanoriachem.com
	For queries relating to Financial Statements	The Chief Financial Officer Kanoria Chemicals & Industries Limited 'Park Plaza', 71 Park Street, Kolkata-700 016. Phone : (033) 2249-9472/73/74 Fax : (033) 2249-9466 Email : nolkha@kanoriachem.com 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 ₹ 176,187/- for the year 2004-05 to the Investor Education and Protection Fund on 26th September 2012, 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

Registered Office
'Park Plaza'
71, Park Street
Kolkata - 700 016
Dated, the 23rd day of May 2013

R.V. Kanoria
Chairman & Managing Director

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 2013 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

Anurag Singhi
(Partner)
Membership No. 66274

Place : New Delhi
Dated, the 23rd day of May 2013

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KANORIA CHEMICALS & INDUSTRIES LIMITED

We have audited the accompanying financial statements of KANORIA CHEMICALS & INDUSTRIES LIMITED (the company), which comprise the balance sheet as at 31st March, 2013, and the statement of profit and loss and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the accounting principles generally accepted in India, including accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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, 2013

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 the cash flow statement, of the cash flows for the year ended on that date.

Emphasis of Matter

1. We draw attention to Note No. 34 to the financial statements regarding managerial remuneration of ₹ 13.53 million for the period from 10th January 2012 to 31st March 2013, which includes an amount of ₹ 6.94 million in excess of limit specified under section 309 (3) read with schedule XIII of the Companies Act, 1956. Since the payment of the remuneration in excess of the limits requires approval of the Central Government the company has made an application to the Central Government and the approval is awaited. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

1) As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2) As required by section 227(3) of the Act, we report that:

   a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

   b) 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.

   c) the balance sheet, statement of profit and loss and cash flow statement dealt with the this report are in agreement with the books of account.

   d) in our opinion, the balance sheet, statement of profit and loss, and cash flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

   e) on the basis of written representations received from the directors as on 31st March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

ANURAG SINGHI
(Partner)
Membership No. 66274

Place : New Delhi
Dated : the 23rd day of May, 2013

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Kanoria Chemicals & Industries Limited (the company)

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) There was no substantial disposal of fixed assets during the year.

II. (a) The inventories have been physically verified at reasonable intervals during the year by the management 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 listed in the register maintained under Section 301 of the Companies Act, 1956. Hence Clauses 3 (b), (c), (d) of the order are 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 explanation 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 explanations given to us, the particulars of contracts or arrangements that need to be entered in the 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 fixed deposit from the public within the meaning of the provisions of Section 58A and 58AA of the Companies Act, 1956 and rules made there under.

VII. In our opinion, the Company has an 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 is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. According to the information and explanations given to us and the records of the Company examined by us, no undisputed statutory dues as above were outstanding as at 31st March, 2013 for a period of more than 6 months from the date they became payable.

(b) As per the information and explanations given to us and as per the records of the company there are no dues of Wealth Tax, Custom Duty, Excise Duty, Cess and sales Tax which have not been deposited on account of any dispute. The dues of the Income Tax and Service Tax which has not been deposited on account of any dispute and forum where the dispute is pending is given as under :-

Name of the statute	Nature of Dues	Amount (₹ in Million)	Period to which the amount relates	Forum where the disputes are pending
The Service Tax under the Finance Act, 1994	Service Tax Demand	1.05	2007-08 to 2009-10	Commissioner (A) Central Excise
The Income Tax Act, 1961	Income Tax Demand	41.67	2008-09 to 2010-11	C.I.T (A)

X. The Company has no accumulated losses as at 31st March 2013 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 on the basis of information and explanations given to us we are of the opinion that the Company has not defaulted in repayment of dues to Financial Institutions or Banks. 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. The company has maintained proper records of transactions and contracts in respect of Shares, Securities, Debentures and other Investments and timely entries have been made therein. The Shares, Securities, Debentures and other Investments have been held by the company, in its own name except to the extent of exemption granted under section 49 of the Companies Act, 1956.

XV. The company has given the corporate guarantee amounting to ₹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. Based on information and explanations given to us and records of the Company examined by us, the Company has not obtained any term loans during the year.

XVII. On the basis of our examination of the Cash Flow Statement, records and as per the 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 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 has not issued debentures during the year.

XX. The Company has not raised any money by Public Issue during the year.

XXI. During the course of our examination of the books and records of the Company, carried out in accordance with the Generally Accepted Auditing Practice 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 we have been informed of such cases by the management.

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

ANURAG SINGHI
(Partner)
Membership No. 66274

Place : New Delhi
Dated : the 23rd day of May, 2013

BALANCE SHEET

AS AT 31ST MARCH, 2013

(₹ in million)

Particulars	Note No.	31.3.2013	31.3.2012
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	218.49	281.50
Reserves & Surplus	3	4,407.76	4,867.96
		4,626.25	5,149.46
Non-current Liabilities			
Long-term Borrowings	4	646.92	641.39
Deferred Tax Liabilities (Net)	5	187.34	169.95
Other Long-term Liabilities	6	1.54	1.47
Long-term Provisions	7	39.33	35.97
		875.13	848.78
Current Liabilities			
Short-term Borrowings	8	604.11	540.53
Trade Payables	9	200.95	152.13
Other Current Liabilities	10	269.02	191.28
Short-term Provisions	7	80.66	101.02
		1,154.74	984.96
Total		6,656.12	6,983.20
ASSETS			
Non-current Assets			
Fixed Assets	11		
Tangible Assets		2,435.43	1,852.09
Intangible Assets		1.71	2.34
Capital Work-in-Progress		17.81	579.19
Intangible Assets under development		-	0.35
		2,454.95	2,433.97
Non-current Investments	12	2,648.00	2,052.62
Long-term Loans & Advances	13	130.38	32.72
Current Assets			
Current Investments	12	286.36	1,422.10
Inventories	14	269.87	196.40
Trade Receivables	15	368.76	289.58
Cash and Bank Balances	16	111.70	169.50
Short-term Loans & Advances	13	316.60	316.42
Other Current Assets	17	69.50	69.89
		1,422.79	2,463.89
Total		6,656.12	6,983.20

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
Firm Registration No.302049E

ANURAG SINGHI
Partner
Membership No. 66274

Camp: New Delhi
Dated the 23rd day of May 2013

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, 2013

(₹ in million)

Particulars	Note No.	2012-2013	2011-2012
INCOME			
Revenue from Operations (net)	18	2,425.51	2,905.00
Other Income	19	241.48	218.76
Total Revenue		2,666.99	3,123.76
EXPENSES			
Cost of Raw Materials Consumed	20	1,626.68	1,730.20
Change in Inventories of finished goods, work-in-progress and Stock-in-Trade	21	(2.06)	(16.73)
Employees Benefits Expense	22	158.06	194.21
Finance Costs	23	68.94	136.01
Depreciation & Amortization	24	131.36	157.03
Other Expenses	25	608.55	788.49
Total Expenses		2,591.53	2,989.21
Profit before exceptional and extraordinary items and Tax		75.46	134.55
Exceptional items		-	3,570.37
Profit before extraordinary items and Tax		75.46	3,704.92
Extraordinary items		-	-
Profit before Tax		75.46	3,704.92
Add: Taxation for earlier year		0.04	0.02
Less: Tax Expense			
Current Tax		10.44	1,055.53
Deferred Tax		17.39	(347.90)
Add: MAT credit entitlement		-	58.90
Profit for the year		47.67	3,056.21
The above includes:			
Profit before Tax from discontinuing operations		-	56.04
Tax expenses of discontinuing operations		-	18.18
Profit after Tax from discontinuing operations		-	37.86
Earning per Equity Share (Face Value ₹ 5 each)	26		
- Basic & Diluted (₹)		0.89	54.29
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
Firm Registration No.302049E

ANURAG SINGHI
Partner
Membership No. 66274

Camp: New Delhi
Dated the 23rd day of May 2013

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, 2013

(₹ in million)

	2012-2013	2011-2012
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax from continuing operations	75.46	78.51
Profit before Tax from discontinuing operations	-	56.04
Profit before Tax & Exceptional items	75.46	134.55
Adjustments for:		
Depreciation & Amortization on continuing operations	131.36	110.99
Depreciation & Amortization on discontinuing operations	-	46.04
Finance Costs	68.94	136.01
(Profit)/Loss on Sale of Fixed Assets (Net)	9.73	8.89
(Profit)/Loss on Sale Investments (Net)	(105.44)	(11.68)
Interest Income	(129.80)	(87.20)
Dividend Income	(0.60)	(107.11)
Operating Profit before Working Capital changes	49.65	230.49
Adjustments for:		
Trade Receivables, Loans & Advances and Other Current Assets	(82.71)	(149.52)
Inventories	(73.47)	89.45
Trade Payables, Other liabilities & Provisions	23.68	(296.73)
Cash generated from Operations	(82.85)	(126.31)
Income Tax Paid (excluding Capital Gain Tax on Slump Sale)	(20.18)	(26.21)
NET CASH FROM OPERATING ACTIVITIES	(103.03)	(152.52)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(162.45)	(722.62)
Sale of Fixed Assets	8.97	6.25
Proceeds from Sale of Chloro Chemical Business #	-	7,020.64
Loan & Advances to Subsidiaries	(88.70)	-
Investments in Subsidiaries	(420.42)	-
Purchase of Investments	(8,188.29)	(23,125.95)
Sale of Investments	9,254.51	19,730.74
Interest received	134.35	65.81
Dividend received	0.60	107.11
NET CASH USED IN INVESTING ACTIVITIES	538.57	3,081.98
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds/Payments of Borrowings (net)	182.39	(2,473.54)
Foreign Exchange Fluctuation on FCCBs related transactions	-	(9.26)
Premium on Redemption of FCCBs	-	(61.53)
Buy-back of Equity Shares	(494.20)	-
Dividend Paid (including Dividend Tax)	(98.14)	(326.69)
Finance Charges paid	(83.84)	(141.73)
NET CASH USED IN FINANCING ACTIVITIES	(493.79)	(3,012.75)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(58.25)	(83.29)
CASH AND CASH EQUIVALENTS - AS AT 01.04.2012	166.08	249.37
CASH AND CASH EQUIVALENTS - AS AT 31.03.2013	107.83	166.08

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	111.70	169.50
Less: Unpaid Dividend	3.87	3.42
Cash and Cash equivalents	107.83	166.08

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.

As per our report annexed
For SINGHI & CO.
Chartered Accountants
Firm Registration No.302049E

For and on behalf of the Board

ANURAG SINGHI
Partner
Membership No. 66274

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

Camp: New Delhi
Dated the 23rd day of May 2013

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 recognized 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 recognized in the period in which the results are known/materialized.

c. Revenue Recognition:

(i) Sales revenue is recognized 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 recognized on accrual basis. Dividend income on investments is accounted for when the right to receive the payment is established.

(ii) Renewable Energy Certificates (RECs) are recognized as accrued on the basis of notification issued by Central Electricity Regulatory Commission (CERC). Revenue from RECs is recognized on the basis of actual sale price on transfer of certificates and on the basis of CERC prescribed floor price for RECs held by/accrued to the company.

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

d. Fixed Assets:

(i) Fixed Assets, including modernization 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.

e. Depreciation & Amortization :

(i) Depreciation on Tangible Assets, except leasehold land, has been provided using Straight Line Method at the rates and manner prescribed under Schedule XIV of the Companies Act, 1956. Leasehold lands are amortized over the period of lease on straight line basis.

(ii) 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.

(iii) Intangible Assets are amortized over their estimated useful lives on straight line basis.

f. 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 recognized 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 recognized at the relevant rate prevailing on that date.

g. Inventories:

Inventories are valued as under:-

Stores & Spare Parts etc.#	At Cost or net realizable value whichever is lower
Raw Materials #	At Cost or net realizable value whichever is lower
Finished Goods	At Cost or net realizable value, whichever is lower and in case of products, where cost cannot be ascertained, at net realizable value.
Work-in-Process	At Raw Material Cost and/or at cost or net realizable 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 recognized 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 recognized on expenses based on actuarial valuation at year end using projected unit credit method. Actuarial gain and losses are recognized immediately in the profit and loss account.

j. Taxes on Income:

(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.

Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses.

(ii) Minimum Alternative Tax (MAT) credit is recognized 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 recognized 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 capitalized up to the date when such assets are ready for its intended use and other borrowing costs are charged to Profit & Loss Account.

l. Impairment:

Impairment loss is recognized wherever the carrying amount of an assets is in excess of its recoverable amount and the same is recognized 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 recognized in prior years is recorded when there is an indication that the impairment losses recognized 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.

(₹ in million)

	31.3.2013	31.3.2012
2. SHARE CAPITAL		
(a) AUTHORISED		
100,000,000 (Previous year 100,000,000) Equity Shares of ₹ 5 each	500.00	500.00
ISSUED, SUBSCRIBED AND FULLY PAID		
43,693,333 (Previous year 56,296,500) Equity Shares of ₹ 5 each	218.47	281.48
	0.02	0.02
	218.49	281.50
(b) Reconciliation of number of Shares (Nos.):		
Outstanding at the beginning of the year	56,296,500	56,296,500
Less: Shares brought-back	12,603,167	-
Outstanding at the end of the year	43,693,333	56,296,500

(c) The Company has only one class of issued shares i.e. Equity Share having par value of ₹ 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) Vardhan Limited, the holding company, holds 25,733,079 Equity Shares of ₹ 5 each in the company.

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

Name of the Shareholders	As at 31st March, 2013		As at 31st March, 2012	
	No. of shares	% of Holding	No. of shares	% of Holding
Vardhan Limited	25,733,079	58.89	25,733,079	45.71
R V Investment & Dealers Limited	3,210,120	7.35	3,210,120	5.70
International Finance Corporation	-	-	6,102,000	10.84
Mega Resources Limited	-	-	2,986,720	5.31

(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) The Company, during the year, had bought back 12,603,167 Equity Shares of ₹ 5 each from Open Market through Stock Exchanges for an aggregate amount of ₹ 494.21 million, by utilizing Securities Premium Account for ₹ 431.19 million and creating Capital Redemption Reserve out of General Reserve for ₹ 63.02 million being the nominal value of shares bought back in terms of Section 77AA of the Companies Act, 1956.

(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

(₹ in million)

	31.3.2013		31.3.2012	
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	
Add: Transfer from General Reserve	63.02	72.69	-	9.67
(c) SECURITIES PREMIUM ACCOUNT				
As per last financial statements	592.70		634.26	
Less: Premium on redemption of FCCBs (net of Deferred Tax)	-		41.56	
Utilized towards buy-back of Equity Shares	431.19	161.51	-	592.70
(d) GENERAL RESERVE				
As per last financial statements	2,681.84		1,181.84	
Less: Transfer to Capital Redemption Reserve	63.02		-	
	2,618.82		1,181.84	
Add : Transfer from Surplus	5.00	2,623.82	1,500.00	2,681.84
(e) SURPLUS				
Balance as per last Account	1,549.58		91.51	
Add: As per annexed Statement of Profit & Loss	47.67		3,056.21	
	1,597.25		3,147.72	
Less:				
Proposed Dividend on Equity Shares	65.54		84.44	
Provision for Dividend Tax	11.14		13.70	
Transfer to General Reserve	5.00		1,500.00	
	81.68	1,515.57	1,598.14	1,549.58
Total		4,407.76		4,867.96

(₹ in million)

	Non-current		Current maturities	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012
4. LONG-TERM BORROWINGS				
SECURED				
(a) Term Loans				
From Banks	646.51	639.49	184.72	71.05
(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				
(Secured by hypothecation of related vehicles.)	0.41	1.90	1.50	1.89
	646.92	641.39	186.22	72.94
Less: Amount disclosed under the head "other current liabilities" (Note no.10)	-	-	186.22	72.94
	646.92	641.39	-	-

NOTES TO FINANCIAL STATEMENTS

(₹ in million)

	31.3.2013		31.3.2012	
5. DEFERRED TAX LIABILITIES (NET)				
DEFERRED TAX LIABILITY				
Depreciation		202.06		183.12
DEFERRED TAX ASSETS				
Retirement Benefits	14.72		12.60	
Others	-	14.72	0.57	13.17
		187.34		169.95
6. OTHER LONG-TERM LIABILITIES				
Security Deposits		1.54		1.47

	Long-term		Short-term	
7. PROVISIONS	31.3.2013	31.3.2012	31.3.2013	31.3.2012
(a) Provision for employee benefits				
For Gratuity	32.42	29.87	3.12	2.25
For Accrued Leave	6.91	6.10	0.86	0.63
(b) Proposed Dividend	-	-	65.54	84.44
(c) Dividend Tax	-	-	11.14	13.70
	39.33	35.97	80.66	101.02

	31.3.2013	31.3.2012
8. SHORT-TERM BORROWINGS		
SECURED		
From Banks		
Buyer's Credit	604.11	540.53
(₹ 148.47 million is secured against hypothecation by way of a subservient charge on all current assets and movable fixed assets of Ankleshwer plant and ₹ 455.64 million is secured by pledge of units of mutual funds)		
9. TRADE PAYABLES		
(a) Due to Micro, Small & Medium Enterprises	-	-
(b) Due to Others	200.95	152.13
	200.95	152.13
10. OTHER CURRENT LIABILITIES		
(a) Current maturities of Long term debts	186.22	72.94
(b) Interest accrued but not due on borrowings	3.28	9.59
(c) Investor Education & Protection Fund shall be credited by:		
Unpaid Dividend	3.87	3.42
(d) Project liabilities	17.71	42.50
(e) Customers' Credit Balances	0.50	0.64
(f) Employee related liabilities	20.10	12.65
(g) Statutory liabilities	7.60	4.22
(h) Security & Trade deposits	2.94	4.54
(i) Other liabilities	26.80	40.78
	269.02	191.28

NOTES TO FINANCIAL STATEMENTS

11. FIXED ASSETS

(₹ in million)

PARTICULARS	GROSS BLOCK					DEPRECIATION & AMORTIZATION				IMPAIRMENT				NET BLOCK	
	As at 31.3.12	Additions	Other adjustment (Borrowing Cost)	Sales and/or adjustment	As at 31.3.13	As at 31.3.12	For the Year	Sales and/or adjustment	Up to 31.3.13	As at 31.3.12	For the Year	Sales and/or adjustment	Up to 31.3.13	As at 31.3.13	As at 31.3.12
TANGIBLE ASSETS															
Land & Site Development	321.05	0.08	-	-	321.13	-	-	-	-	-	-	-	-	321.13	321.05
Leasehold land & Site Development	15.63	-	-	-	15.63	3.63	0.16	-	3.79	-	-	-	-	11.84	12.00
Buildings	371.23	49.97	-	-	421.20	59.04	10.09	-	69.13	-	-	-	-	352.07	312.19
Plant & Machinery	2,187.67	659.81	8.59	43.72	2,812.35	1,045.07	111.76	27.06	1,129.77	17.85	-	-	17.85	1,664.73	1,124.75
Furniture & Fixture, Office & Laboratory Equipments etc.	101.47	10.38	-	2.98	108.87	34.52	5.67	2.25	37.94	-	-	-	-	70.93	66.95
Vehicles and Fork Lifts	24.24	2.95	-	4.10	23.09	11.14	1.92	2.79	10.27	-	-	-	-	12.82	13.10
Railway Siding & Weigh Bridge	2.89	-	-	-	2.89	0.84	0.14	-	0.98	-	-	-	-	1.91	2.05
	3,024.18	723.19	8.59	50.80	3,705.16	1,154.24	129.74	32.10	1,251.88	17.85	-	-	17.85	2,435.43	1,852.09
INTANGIBLE ASSETS															
Computer Software	6.70	0.99	-	-	7.69	4.36	1.62	-	5.98	-	-	-	-	1.71	2.34
	3,030.88	724.18	8.59	50.80	3,712.85	1,158.60	131.36	32.10	1,257.86	17.85	-	-	17.85	2,437.14	1,854.43
Capital Work-in-Progress														17.81	579.19
Intangible Assets under Development														-	0.35
TOTAL														2,454.95	2,433.97
Figures for the corresponding Previous year	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	2,433.97	-

NOTES TO FINANCIAL STATEMENTS

(₹ in million)

	Face Value ₹	31.3.2013 No.	31.3.2013 Amount	31.3.2012 No.	31.3.2012 Amount
12. INVESTMENTS					
NON CURRENT					
NON-TRADE 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	2,500	0.01	2,500	0.01
Bank Of India	10	9,000	0.40	9,000	0.40
(UNQUOTED)					
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.(₹ 250)	50	5		5	
Narmada Clean Tech Limited	10	822,542	8.23	822,542	8.23
KCI Alco Chem Limited (₹ 500)	5	100		100	
Woodlands Multispeciality Hospital Limited	10	2,180	0.02	2,180	0.02
IN SUBSIDIARY COMPANIES					
(Jointly held with Nominees)					
Pipri Ltd.	10	4,650,550	48.01	4,650,550	48.01
APAG Holding AG, Switzerland	CHF 1000	270	370.02	-	-
Kanoria Africa Textiles PLC, Ethiopia	ETB 10	1,690,000	50.40	-	
b. **INVESTMENT IN PREFERENCE SHARES**					
FULLY PAID UP (UNQUOTED)					
8.75% L&T Finance Holdings Limited	100	913,130	91.31	-	
c. **INVESTMENT IN DEBENTURES/BONDS**					
FULLY PAID UP (QUOTED)					
11.7% India Infoline Finance Limited	1,000	50,000	50.00	50,000	50.00
11.9% India Infoline Finance Limited	1,000	50,000	46.72	50,000	46.72
11.85% Shriram City Union Finance Limited	1,000	35,122	35.33	35,122	35.33
12.25% Muthoot Finance Limited	1,000	50,000	50.00	50,000	50.00
8.2% National Highways Authority of India-Tax Free	1,000	-	-	24,724	24.72
8.1% Housing & Urban Development Corp. Ltd.-Tax Free	1,000	-	-	75,000	75.00
(UNQUOTED)					
13% Future Corporate Resources Ltd	2,000,000	50	100.45	50	100.45
6% Indian Railway Finance Corporation-Tax Free	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
18% Galleria Developers Private Limited	44,450	400	18.34	-	-
d. **INVESTMENT IN VENTURE CAPITAL FUND**					
PARTLY PAID UP (UNQUOTED)					
IIFL Real Estate Fund (Domestic) Sr.1	100	485,955.00	23.59	500.00	12.50
e. **INVESTMENT IN MUTUAL FUNDS (QUOTED)**					
Tata FMP Series 32-Dividend Payout	10	20,000,000	200.00	20,000,000	200.00
Reliance Fixed Horizon Fund XIX Sr 20-Growth	10	25,000,000	250.00	25,000,000	250.00
Reliance Fixed Horizon Fund XIX Sr 21-Growth	10	20,000,000	200.00	20,000,000	200.00
Reliance Equity Opportunities Fund-Growth	10	1,027,655	45.00	-	-
IDFC SSIF-Investment Plan-Growth	10	1,761,308	50.00	-	-
ICICI Prudential FMP Series 58-2 year Plan C-Growth	10	20,000,000	200.00	20,000,000	200.00
ICICI Prudential Dynamic Fund-Growth	10	443,038	45.00	443,038	45.00
ICICI Prudential Discovery Fund-Growth	10	439,908	25.00	-	-
BNP Paribas FTF Series 22C-Growth	10	15,000,000	150.00	15,000,000	150.00
Kotak FMP Series 55-Growth	10	15,000,000	150.00	15,000,000	150.00
Franklin India Blue Chip Fund-Growth	10	117,758	25.00	117,758	25.00

NOTES TO FINANCIAL STATEMENTS

(₹ in million)

	Face Value ₹	31.3.2013 No.	31.3.2013 Amount	31.3.2012 No.	31.3.2012 Amount
HDFC Top 200 Fund-Growth	10	195,323	40.00	195,323	40.00
HDFC Mid-Cap Opportunities Fund-Growth	10	1,354,646	25.00	-	-
HDFC Income Fund-Growth	10	1,913,195	50.00	-	-
DSP Blackrock Equity Fund-Growth	10	-	-	3,078,550	50.00
Fidelity Equity Fund-Growth	10	-	-	1,328,940	45.00
UTI Dynamic Bond Fund-Growth	10	4,040,633	50.00	-	-
JP Morgan India Active Bond-Growth	10	14,872,811	150.00	-	-
L&T FMP-VII-Growth	10	5,000,000	50.00	-	-
f. INVESTMENT IN ALTERNATIVE INVESTMENT FUNDS (UNQUOTED)					
IIFL Private Equity Fund	10	5,005,000	50.05	-	-
			2,648.00		2,052.62
CURRENT					
a. INVESTMENT IN COMMERCIAL PAPERS (UNQUOTED)					
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
b. INVESTMENT IN MUTUAL FUNDS (QUOTED)					
BSL Floating Rate Fund-STP-IP-Daily Dividend Reinvest	100	-	-	835,414	83.55
BSL Floating Rate Fund-STP-IP-Growth	100	1,006,424	156.36	-	-
Tata FMP Series 35A-Plan A-Growth	10	-	-	50,000,000	500.00
HDFC Cash Management Fund-SP-Growth	10	1,226,232	30.00	-	-
c. INVESTMENT IN GOLD PTC (UNQUOTED)					
Gold Loan Receivable Trust-IV (UNQUOTED)	1,000	100,000	100.00	-	-
			286.36		1,422.10

	31.3.2013 Book Value	31.3.2013 Market Value	31.3.2012 Book Value	31.3.2012 Market Value
Aggregate amount of:-				
Quoted Investments	2,073.83	2,290.50	2,220.73	2,339.44
Unquoted Investments	860.53	-	1,253.99	-
	2,934.36		3,474.72	

(₹ in million)

	Long-term		Short-term	
13. LOANS AND ADVANCES	31.3.2013	31.3.2012	31.3.2013	31.3.2012
(a) Capital Advances				
Unsecured, Considered Good	2.81	4.57	-	-
(b) Security Deposits				
Unsecured, Considered Good	37.67	26.24	-	6.41
(c) Loans and Advances to related parties				
Unsecured, Considered Good	89.45	1.20	-	-
(d) Advances Recoverable in cash or in kind				
Unsecured, Considered Good	0.28	0.29	16.87	22.54
(e) Other Loans and Advances				
Loans to Employees	0.17	0.42	1.31	1.61
Balance with Central Excise and other Government Authorities	-	-	67.27	64.49
Income & Wealth Tax Payments and Tax Deducted at Source less Provision	-	-	231.15	221.37
	130.38	32.72	316.60	316.42

14. INVENTORIES	31.3.2013	31.3.2012
(as certified by the Management)		
(a) Stores and Spare Parts etc.	43.37	26.16
(b) Raw Materials	112.70	69.45
Raw Materials in transit	7.92	-
(c) Finished Goods	88.28	82.38
(d) Work-in-Process	17.60	18.41
	269.87	196.40
15. TRADE RECEIVABLES		
(a) Outstanding for a period exceeding six months		
Unsecured, Considered Good	2.51	1.96
Doubtful	-	0.65
Under Litigation	-	1.09
Provision for Doubtful/litigation	-	(1.74)
	2.51	1.96
(b) Other receivables		
Unsecured, Considered Good	366.25	287.62
	368.76	289.58
16. CASH AND BANK BALANCES		
CASH AND CASH EQUIVALENTS		
(a) Cash in hand	0.43	0.43
(b) Cheques/Drafts in hand	0.06	-
(c) Balances with Scheduled Banks		
In Current Account	12.33	26.40
In Current Account (Foreign Currency)	0.83	0.78
In Cash Credit Account	67.13	0.86
In Fixed deposit within 3 months maturity	-	100.00
OTHER BANK BALANCES		
Earmarked balances with Banks (Unpaid Dividend Account)	3.87	3.42
In Fixed deposit (Receipt deposited as security)	27.05	37.61
	111.70	169.50
17. OTHER CURRENT ASSETS		
(a) Interest and Dividend Receivable		
Unsecured, Considered Good	19.42	23.97
(b) Export Benefits and Claims Receivable		
Unsecured, Considered Good	50.08	45.92
	69.50	69.89

NOTES TO FINANCIAL STATEMENTS

(₹ in million)

	2012-2013		2011-2012	
18. REVENUE FROM OPERATIONS				
(a) Sale of Products				
Caustic Soda 100% (NaOH)	-		268.78	
Stable Bleaching Powder	-		35.17	
Chlorinated Paraffins	-		88.49	
Power Generation	-		67.86	
Aluminium Chloride	-		106.16	
Pentaerythritol	742.90		662.09	
Formaldehyde(37%)	1,114.40		836.33	
Hexamine	489.33		469.57	
Power Generation	8.57		-	
Others	292.72	2,647.92	615.04	3,149.49
(b) Other Operating Revenues				
Miscellaneous Sales	15.45		18.79	
Renewal Energy Certificate benefits	36.83		-	
Insurance and other claims	-		1.45	
Export benefits	2.06		6.58	
Others	0.15	54.49	-	26.82
Gross Revenue from Operations		2,702.41		3,176.31
(c) Excise Duty		276.90		268.99
		2,425.51		2,907.32
Less: Revenue from trial-run Production		-		2.32
Net Revenue from Operations		2,425.51		2,905.00
19. OTHER INCOME				
Interest Income				
On long term Investments	65.69		35.93	
On Current Investments	48.20		36.55	
From Others	15.91	129.80	14.72	87.20
Dividend Income				
On long term Investments (Including dividend from Subsidiary Company ₹ Nil)(previous year ₹ 2.79 million)	0.40		2.87	
On Current Investments	0.20	0.60	104.24	107.11
Net gain on Sale of Investments				
On long term Investments	57.70		-	
On Current Investments	47.74	105.44	11.68	11.68
Rent Income		3.25		4.11
Liabilities no longer required written back		0.69		6.44
Other receipts		1.70		2.22
		241.48		218.76
20. COST OF MATERIAL CONSUMED				
Raw Material consumption				
Salt	-		39.45	
Aluminium Ingot	-		46.06	
Normal Paraffin	-		53.96	
Methanol	1,218.15		1,025.61	
Molasses	32.42		233.73	
Anhydrous Ammonia	111.89		99.26	
Ethanol	127.92		-	
Others	136.30	1,626.68	234.00	1,732.07
Less: Transfer to Capital Work in progress				
Methanol	-		1.26	
Others	-	-	0.61	1.87
		1,626.68		1,730.20

NOTES TO FINANCIAL STATEMENTS

(₹ in million)

21. CHANGE IN INVENTORIES

	2012-2013		2011-2012	
Opening Stock	Finished Goods	Work-in-Process	Finished Goods	Work-in-Process
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
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				
Pentaerythritol	67.75	4.67	14.77	5.06
Formaldehyde (37%)	11.24	0.05	12.25	-
Hexamine	5.74	1.90	3.72	2.36
Others	3.55	10.98	51.63	10.99
	88.28	17.60	82.37	18.41
	(5.91)	0.81	(17.84)	6.06
Change in Excise Duty on Stocks	3.04	-	(4.95)	-
	(2.87)	0.81	(22.79)	6.06
Total		(2.06)		(16.73)

22. EMPLOYEES BENEFITS EXPENSE

	2012-2013	2011-2012
Salaries, Wages, Bonus & Gratuity etc. (including payments to Contractors)	140.96	172.27
Contribution to Provident Fund	6.50	8.63
Welfare Expenses	11.56	14.26
	159.02	195.16
Less: Transfer to Capital work in progress	0.96	0.95
	158.06	194.21

23. FINANCE COST

	2012-2013	2011-2012
Interest expense:	40.98	126.50
Other borrowing Costs	4.42	6.48
Net gain/loss on foreign currency transaction attributable as adjustment to interest cost	30.13	9.40
	75.53	142.38
Less: Transfer to capital work in progress	6.59	6.37
	68.94	136.01

24. DEPRECIATION AND AMORTISATION

	2012-2013	2011-2012
Depreciation	129.74	154.90
Amortization	1.62	2.13
	131.36	157.03

NOTES TO FINANCIAL STATEMENTS

(₹ in million)

	2012-2013		2011-2012	
25. OTHER EXPENSES				
Consumption of Stores & Spare parts etc.		69.23		76.18
Other Manufacturing Expenses		16.05		20.48
Power & Fuel		287.81		410.69
Repairs to				
Plant & Machinery		27.51		58.41
Buildings		5.94		7.98
Others		5.24		8.57
Water Charges & Cess		14.98		16.41
Rates & Taxes (including Provision for wealth tax ₹ 0.08 million) (Previous Year ₹ 0.06 million)		4.31		4.59
Rent		7.77		9.56
Insurance		6.19		6.80
Legal and Professional Charges		69.73		26.35
Miscellaneous Expenses		38.63		44.71
Foreign Exchange Rate Fluctuation		3.98		5.90
Commission & Brokerage to Others		7.10		12.64
Freight, Handling & Other Charges		12.26		35.94
Directors' Fees		0.87		0.79
Travelling Expenses (including Directors' Travelling ₹ 8.48 million) (Previous Year ₹ 6.67 million)		15.58		15.84
Charity & Donations		0.09		0.15
Payment to Auditors				
(a) Statutory Auditors				
Audit Fees	0.60		0.60	
For Certificates & Others	0.77		0.56	
For Travelling and out of pocket expenses	0.10		0.18	
(b) Cost Auditors				
Audit Fees	0.14		0.10	
For Travelling and out of pocket expenses	0.01		0.01	
(c) Tax Auditors				
Audit Fees	0.10	1.72	0.10	1.55
Directors' Remuneration		15.70		18.28
Provision for bad & doubtful Debts & Advances (net)		(1.74)		(7.13)
Unrealized Debts and Claims written off		1.95		15.23
Loss on Fixed Assets sold/discarded (Net)		9.73		8.89
Previous Years Adjustments (Net)		0.40		1.37
		621.03		800.18
Less: Transfer to Capital work in progress				
Power & Fuel	1.13		0.25	
Repairs & Maintenance to others	0.01		0.04	
Rates & Taxes	0.05		0.00	
Rent	0.05		-	
Insurance premium	0.27		0.20	
Legal & Professional Charges	7.60		9.72	
Miscellaneous expenses	3.17		0.83	
Travelling expenses	0.20	12.48	0.65	11.69
		608.55		788.49

NOTES TO FINANCIAL STATEMENTS

(₹ in million)

		2012-2013	2011-2012
26. EARNINGS PER SHARE			
(a) Net Profit available to Equity Shareholders		47.67	3,056.21
(b) Weighted average number of Equity Shares for EPS calculation			
Number of Equity Shares for Basic/Diluted EPS		53,396,616	56,296,500
(c) Earnings per Share		0.89	54.29
Basic/Diluted (₹)			
27. 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 Commissioner (Appeal)	1.05	4.52
Sales tax/VAT demands issued by assessing authority	The matter is pending with Trade Tax Tribunal (paid ₹ 0.43 million)	0.43	0.43
Income tax demands issued by DCIT	The matter is pending with CIT (Appeal) (paid/adjusted ₹ 104.70 million)	146.37	128.13
(b) Outstanding Bank Guarantees		28.53	16.86
(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		31.15	102.10
Advances paid		2.81	4.57
28. C.I.F. VALUE OF IMPORTS			
Raw Materials		641.46	302.31
Stores and Spares		60.29	43.52
Capital Goods		7.03	335.68
29. EXPENDITURE IN FOREIGN CURRENCY (PAID/PROVIDED)			
Travelling		4.33	2.56
Commission		-	0.31
Finance/Bank Charges		28.57	1.27
Premium on Redemption of FCCBs		-	61.53
Professional Charges		13.78	0.35
Others		0.66	1.37
30. EARNINGS IN FOREIGN CURRENCY			
F.O.B. Value of Exports		48.49	145.50
Others		5.23	-
31. In the absence of revaluation reserve, depreciation on revalued assets has been charged to Profit & Loss Account.		0.69	0.93

32. For the year ended 31st March, 2013, the Board of Directors of the Company have recommended dividend of ₹ 1.50 per share (Previous year ₹ 1.50 per share) to equity shareholders aggregating to ₹ 65.54 million (Previous year ₹ 84.44 million). Together with the Corporate Dividend Distribution Tax of ₹ 11.14 million (Previous year ₹ 13.70 million), the total payout will be ₹ 76.68 million (Previous year ₹ 98.14 million).

33. 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, 2013. This information is 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.

34. Due to inadequacy of profits as per Section 349 of the Companies Act, 1956 (the Act), the remuneration of ₹ 13.53 million (including ₹ 2.53 million paid in previous year) to Managing Director for the period from 10th January, 2012 to 31st March, 2013, which includes an amount of ₹ 6.94 million in excess of limit specified under section 309 (3) read with schedule XIII of the Act., is subject to the approval of the Central Government which is awaited.

NOTES TO FINANCIAL STATEMENTS

35. SEGMENT REPORTING

(A) Primary Segment Information (by Business Segment)

(₹ in million)

Business Segment	2012-2013			2011-2012		
	Alco Chemicals	Solar Power	Total	Chloro Chemicals	Alco Chemicals	Total
Segment Revenue						
Revenue from operations (net of excise)	2,380.10	45.41	2,425.51	599.33	2,305.67	2,905.00
Segment Result						
(Profit before Interest & Tax)	34.10	12.48	46.58	114.00	38.45	152.45
Less: (i) Finance Cost			68.94			136.01
(ii) Other Un-allocable expenditure net off Un-allocable income (including exceptional items)			(97.82)			(3,688.48)
Profit before Tax			75.46			3,704.92
Add: Taxation for earlier year			0.04			0.02
Less: Provision for Taxation -Current			10.44			1,055.53
-Deferred			17.39			(347.90)
Add: MAT credit entitlement			-			58.90
Net Profit:			**47.67**			**3,056.21**
Other Information						
Segment Assets	2,535.68	654.94	3,190.62	-	2,424.45	2,424.45
Un-allocable Corporate Assets			3,465.50			4,558.75
Total Assets:			**6,656.12**			**6,983.20**
Segment Liabilities	276.83	15.11	291.94		234.77	234.77
Un-allocable Corporate Liabilities			113.34			174.16
Total Liabilities:			**405.28**			**408.93**
Segment Capital Employed	2,258.85	639.83	2,898.68	-	2,189.68	2,189.68
Un-allocable Capital Employed			3,352.16			4,384.59
Total Capital Employed:			**6,250.84**			**6,574.27**
Capital Expenditure	85.71	639.53	725.24		190.26	190.26
Un-allocable Capital Expenditure			7.53			59.64
Total Capital Expenditure:			**732.77**			**249.90**
Depreciation & Amortization	104.20	22.25	126.45	46.04	105.54	151.58
Un-allocable Depreciation			4.91			5.45
Total Depreciation & Amortization:			**131.36**			**157.03**
Other Non-cash expenses	-	-	-	-	-	-

(B) Secondary Segment information

Not applicable, as all the plants of the Company are located in India and Exports does not constitute 10% or more of total Segment Revenue.

(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:

Alco Chemicals business includes Pentaerythritol, Sodium Formate, Acetaldehyde, Formaldehyde, Hexamine, Industrial Alcohol, Acetic Acid & Ethyl Acetate etc. and Solar Power business includes Power generation from Solar energy.

36. 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 ₹ 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 :

	2012-2013	2011-2012
Total Revenue	-	606.10
Cost of Raw Materials consumed	-	178.89
Changes in Inventories	-	31.57
Employee Benefits expenses	-	39.81
Finance Costs	-	57.96
Depreciation & Amortization	-	46.04
Other Expenses	-	195.79
Profit before Tax	-	56.04
Tax expense	-	18.18
Profit after Tax	-	37.86

(₹ in million)

37. 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)-

Description	2012-2013		2011-2012	
	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Change in Obligation over the year ended 31-03-2013				
- Present Value of Defined Benefit Obligation as on 01-04-2012	**6.73**	**32.12**	**18.49**	**114.71**
- Employer Service Cost	0.79	2.48	0.35	6.68
- Interest Cost	0.58	2.71	1.22	3.44
- Curtailment Cost / (Credit)	-	-	-	-
- Settlement Cost / (Credit)	-	-	-	-
- Plan Amendments	-	-	-	-
- Acquisitions	-	-	-	-
- Actuarial (gains) / losses	0.47	0.82	1.02	(2.33)
- Benefits paid	(0.81)	(2.58)	(3.35)	(4.80)
	7.76	**35.55**	**17.73**	**117.70**
- **Transferred on Sale of Chloro Chemicals Business**	-	-	**11.00**	**85.58**
- Present Value of Defined Benefit Obligation as on 31-03-2013	**7.76**	**35.55**	**6.73**	**32.12**
Expenses recognized during the year 2012-13				
- Employer Expenses	0.79	2.48	0.35	6.68
- Interest Cost	0.58	2.71	1.22	3.44
- Curtailment Cost / (Credit)	-	-	-	-
- Settlement Cost / (Credit)	-	-	-	-
- Actuarial (gains) / losses	0.47	0.82	1.02	(2.33)
Total	**1.84**	**6.01**	**2.59**	**7.79**

Principal Actuarial Assumptions

	2012-2013	2011-2012
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)	5%	6%

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 ₹ 6.44 million (previous year ₹ 8.58 million).

38. RELATED PARTY DISCLOSURES

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

Name of the Related Parties	Relationship
1. Vardhan Limited	Holding Company
2. Pipri Limited 3. Kanoria Africa Textiles PLC, Ethiopia 4. APAG Holding AG, Switzerland 5. APAG Elektronik AG, Switzerland 6. APAG Elektronik s.r.o., Czech Republic	Subsidiary Companies
7. Mr. R. V. Kanoria - Chairman & Managing Director 8. Mr. T. D. Bahety - Whole Time Director	Key Management Personnel
9. Mr. S. V. Kanoria 10. Mr. A. V. Kanoria 11. Mrs. V. Kanoria	Relative of Key Management Personnel
12. KPL International Limited	Enterprises over which Key Management Personnel exercises significant influence

NOTES TO FINANCIAL STATEMENTS

(₹ in million)

(ii) Transaction with related parties:

Nature of Transaction	2012-2013 Holding/ Subsidiary Companies	2012-2013 Key Management Personnel	2012-2013 Relative of Key Management Personnel	2012-2013 Enterprises over which Key Management Personnel exercises significant influence	2011-2012 Holding/ Subsidiary Companies	2011-2012 Key Management Personnel	2011-2012 Relative of Management Personnel	2011-2012 Enterprises over which Key Management Personnel exercises significant influence
Dividend Paid								
Vardhan Limited	38.60	-	-	-	123.66	-	-	-
Mr. R. V. Kanoria	-	0.65	-	-	-	2.17	-	-
Mr. S. V. Kanoria	-	-	0.83	-	-	-	2.78	-
Mr. A. V. Kanoria	-	-	0.65	-	-	-	1.67	-
Others	-	0.01	-	-	-	0.02	-	-
Dividend Received								
Pipri Limited	-	-	-	-	2.79	-	-	-
Investments								
Kanoria Africa Textiles PLC	50.40	-	-	-	-	-	-	-
APAG Holding AG	370.02	-	-	-	-	-	-	-
Loans & Advances								
Kanoria Africa Textiles PLC	13.39	-	-	-	-	-	-	-
APAG Holding AG	75.31	-	-	-	-	-	-	-
Remuneration								
Mr. R. V. Kanoria	-	11.01	-	-	-	10.20	-	-
Mr. J. P. Sonthalia	-	-	-	-	-	3.77	-	-
Mr. T. D. Bahety	-	4.69	-	-	-	4.31	-	-
Mr. S. V. Kanoria	-	-	3.68	-	-	-	3.68	-
Mrs. V. Kanoria	-	-	1.51	-	-	-	1.04	-
Sale of Fixed Assets					-			
KPL International Limited	-	-	-	-	-	-	-	2.30
Commission Paid								
KPL International Limited	-	-	-	0.53	-	-	-	-
Rent received								
KPL International Limited	-	-	-	0.66	-	-	-	0.59
Rent Paid								
KPL International Limited	-	-	-	1.67	-	-	-	3.04
Security Deposit Received								
KPL International Limited	-	-	-	-	-	-	-	(0.24)
Security Deposit Paid								
KPL International Limited	-	-	-	(0.45)	-	-	-	(0.36)
Balances due from	88.70	-	-	0.75	-	-	-	1.20
Balances due to	-	-	0.49	0.32	-	-	0.45	0.05

39. CONSUMPTION OF RAW MATERIALS AND SPARES & COMPONENTS

(₹ in million)

	Consumption of Raw Materials				Consumption of Spares and Components			
	2012-2013		2011-2012		2012-2013		2011-2012	
		%		%		%		%
Imported	682.11	42	413.88	24	50.18	75	39.10	66
Indigenous	944.57	58	1,316.32	76	16.38	25	20.39	34
	1,626.68	100	1,730.20	100	66.56	100	59.49	100

40. Figures for the previous year have been regrouped/rearranged, wherever found necessary.

Signatures to Notes 1 to 40

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

ANURAG SINGHI
Partner
Membership No. 66274

Camp: New Delhi
Dated, the 23rd day of May 2013

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Kanoria Chemicals & Industries Limited.

We have audited the accompanying consolidated financial statements of Kanoria Chemicals & Industries Limited ("the Company") its subsidiaries (collectively referred as Group) which comprise the consolidated Balance Sheet as at March 31, 2013, and the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on the financial statements and Management certified account in case of foreign subsidiaries as noted below, the consolidated financial statements, read with our comments on Emphasis of Matter paragraph, give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013

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

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

Emphasis of Matter

1. We draw attention to Note No. 29 to the consolidated financial statements regarding managerial remuneration of ₹ 13.53 million for the period from 10th January 2012 to 31st March 2013, which includes an amount of ₹ 6.94 million in excess of limit specified under section 309 (3) read with schedule XIII of the Companies Act, 1956. Since the payment of the remuneration in excess of the limits requires approval of the Central Government the company has made an application to the Central Government and the approval is awaited. Our opinion is not qualified in respect of this matter.

Other Matter

1. We did not audit the financial statements of Pipri Ltd., an Indian subsidiary, whose financial statements reflect total assets of ₹ 84.23 million as at 31st March 2013, total revenues of ₹ 4.31 million and net cash inflow of ₹ 1.34 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.
2. We did not audit the consolidated financial statement of APAG Holding AG, a foreign subsidiary, whose financial statements reflect total assets of ₹ 697.20 million as at 31st March 2013, total revenues of ₹ 1289.36 million and net cash outflow of ₹ 41.51 million for the year then ended. The consolidated financial statement have been audited by other auditor as per the prevailing law of those countries and has been converted by the management under Indian GAAP and our opinion, insofar as it relates to the amounts included in respect of this foreign subsidiaries, are based solely on the management certifications. We have reviewed the conversion of above management certified consolidated financial statement into Indian GAAP.
3. We did not audit the standalone financial statement of Kanoria Africa Textiles PLC, a foreign subsidiary, whose financial statements reflect total assets of ₹ 50.06 million as at 31st March 2013, total revenues of ₹ NIL and net cash inflow of ₹ 5.74 million for the year then ended. The financial statement have been audited by other auditor as per the prevailing law of those countries and has been converted by the management under Indian GAAP and our opinion, insofar as it relates to the amounts included in respect of this foreign subsidiaries, are based solely on the management certifications.

Our report is not qualified in respect of these matters.

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

ANURAG SINGHI
(Partner)
Membership No 66274

Place : New Delhi
Dated : the 23rd day of May, 2013

CONSOLIDATED BALANCE SHEET

AS AT 31ST MARCH, 2013

(₹ in million)

Particulars	Note No.	31.3.2013	31.3.2012
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	218.49	281.50
Reserves & Surplus	3	4,468.72	4,899.88
		4,687.21	5,181.38
Minority Interest		15.28	-
Non-current Liabilities			
Long-term Borrowings	4	855.64	641.39
Deferred Tax Liabilities (Net)	5	194.21	169.95
Other Long-term Liabilities	6	1.54	1.47
Long-term Provisions	7	53.83	35.97
		1,105.22	848.78
Current Liabilities			
Short-term Borrowings	8	676.07	540.53
Trade Payable	9	293.13	152.13
Other Current Liabilities	10	343.34	191.33
Short-term Provisions	7	80.66	101.02
		1,393.20	985.01
Total		7,200.91	7,015.17
ASSETS			
Non-current Assets			
Fixed Assets	11		
Tangible Assets		2,590.90	1,852.09
Intangible Assets		340.35	2.36
Capital Work-in-Progress		18.22	579.19
Intangible Assets under development		-	0.35
		2,949.47	2,433.99
Non-current Investments		2,235.06	2,078.17
Long-term Loans & Advances	12	98.68	32.72
Current Assets			
Current Investments		312.36	1,427.33
Inventories	13	453.54	196.40
Trade Receivables	14	592.69	289.58
Cash and Bank Balances	15	122.49	170.33
Short-term Loans & Advances	12	368.76	316.17
Other Current Assets	16	67.86	70.48
		1,917.70	2,470.29
Total		7,200.91	7,015.17
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
Firm Registration No.302049E

For and on behalf of the Board

ANURAG SINGHI
Partner
Membership No. 66274

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

Camp: New Delhi
Dated, the 23rd day of May 2013

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT & LOSS

FOR THE YEAR ENDED 31ST MARCH 2013

(₹ in million)

Particulars	Note No.	2012-2013	2011-2012
INCOME			
Revenue from Operations	17	3,714.28	2,905.97
Other Income	18	244.16	219.23
		3,958.44	3,125.20
EXPENSES			
Cost of Raw Materials Consumed	19	2,235.67	1,730.20
Change in Inventories of finished goods, work-in-progress and Stock-in-Trade	20	(0.34)	(16.73)
Employees Benefits Expense	21	511.02	194.30
Finance Costs	22	82.12	136.01
Depreciation & Amortization	23	191.94	157.03
Other Expenses	24	822.46	788.72
Total Expenses		3,842.87	2,989.53
Profit before exceptional and extraordinary items and Tax		115.57	135.67
Exceptional items		-	3,570.37
Profit before extraordinary items and Tax		115.57	3,706.04
Extraordinary items		-	-
Profit before Tax		115.57	3,706.04
Add: Taxation for earlier year		(0.05)	0.02
Less: Tax Expense			
Current		10.77	1,055.96
Deferred		22.78	(347.90)
Add: MAT credit entitlement		-	58.90
Profit before minority interest		81.97	3,056.90
Less: Minority Interest		3.04	-
Profit for the year		78.93	3,056.90
The above includes:			
Profit before Tax from discontinuing operations		-	56.04
Tax expenses of discontinuing operations		-	18.18
Profit after Tax from discontinuing operations		-	37.86
Earning per Equity Share (Face Value ₹ 5 each)	26		
- Basic & Diluted (₹)		1.48	54.30
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
Firm Registration No.302049E

ANURAG SINGHI
Partner
Membership No. 66274

Camp: New Delhi
Dated, the 23rd day of May 2013

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, 2013

(₹ in million)

		2012-2013	2011-2012
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit before Tax from continuing operations	115.57	79.63
	Profit before Tax from discontinuing operations	-	56.04
	Profit before Tax & Exceptional items	115.57	135.67
	Adjustments for:		
	Depreciation & Amortization on continuing operations	191.94	110.99
	Depreciation & Amortization on discontinuing operations	-	46.04
	Finance Costs	82.12	136.01
	(Profit)/Loss on Sale of Fixed Assets (Net)	9.73	8.89
	(Profit)/Loss on Sale Investments (Net)	(105.86)	(12.41)
	Interest Income	(127.59)	(88.17)
	Dividend Income	(4.42)	(109.61)
	Foreign Currency Translation Reserve	(1.23)	-
	Operating Profit before Working Capital changes	160.26	227.41
	Adjustments for:		
	Trade Receivables, Loans & Advances and Other Current Assets	(211.43)	(149.16)
	Inventories	(50.43)	89.45
	Trade Payables, Other liabilities & Provisions	0.33	(296.75)
	Cash generated from Operations	(101.27)	(129.05)
	Income Tax Paid (excluding Capital Gain Tax on Slump Sale)	(20.35)	(26.48)
	NET CASH FROM OPERATING ACTIVITIES	(121.62)	(155.53)
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets	(220.58)	(722.62)
	Sale of Fixed Assets	8.97	6.25
	Proceeds from Sale of Chloro Chemical Business #	-	7,020.64
	Loan & Advances to Subsidiaries	(13.31)	-
	Investments in Subsidiaries	(370.02)	-
	Purchase of Investments	(8,213.60)	(23,160.69)
	Sale of Investments	9,277.53	19,765.19
	Interest received	132.14	66.78
	Dividend received	4.42	109.61
	NET CASH USED IN INVESTING ACTIVITIES	605.55	3,085.16
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds/Payments of Borrowings (net)	112.00	(2,473.54)
	Foreign Exchange Fluctuation on FCCBs related transactions	-	(9.26)
	Premium on Redemption of FCCBs	-	(61.53)
	Buy-back of Equity Shares	(494.20)	-
	Dividend Paid (including Dividend Tax)	(98.14)	(327.14)
	Finance Charges paid	(96.27)	(141.73)
	NET CASH USED IN FINANCING ACTIVITIES	(576.61)	(3,013.20)
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(92.68)	(83.57)
	CASH AND CASH EQUIVALENTS - AS AT 01.04.2012	166.91	250.48
	ON ACCOUNT OF ACQUITION OF SUBSIDIARY	44.39	-
	CASH AND CASH EQUIVALENTS - AS AT 31.03.2013	118.62	166.91

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:

	2012-2013	2011-2012
Cash and Bank Balances	122.49	170.33
Less: Unpaid Dividend	3.87	3.42
Cash and Cash equivalents	118.62	166.91

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.

As per our report annexed
For SINGHI & CO.
Chartered Accountants
Firm Registration No.302049E

For and on behalf of the Board

ANURAG SINGHI
Partner
Membership No. 66274

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

Camp: New Delhi
Dated, the 23rd day of May 2013

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

A. PRINCIPLES OF CONSOLIDATION

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

(a) The financial statements of the company and its subsidiaries 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 including unrealized profits/losses in period end assets. The difference between the company's cost of investments in the Subsidiaries, over its portion of equity at the time of acquisition of shares is recognized in the CFS as Goodwill or Capital Reserve as the case may be. Minority Interest's share in net profit/loss of consolidated subsidiaries for the year is adjusted against the income of the Group in order to arrive at the net income attributable to equity shareholders of the Company. Minority Interest's share in net assets of consolidated subsidiaries is presented in the Consolidated Balance Sheet separate from liabilities and the equity of the Company's shareholders. Minority Interest in the consolidated financial statements is identified and recognized after taking into consideration:

(i) The amount of equity attributable to minorities at the date on which investments in a subsidiary is made.

(ii) The minorities' share of movement in equity since the date parent-subsidiary relationship came into existence.

(iii) The profits/losses attributable to the minorities are adjusted against the minority interest in the equity of the subsidiary.

(b) In case of foreign subsidiaries, being non-integral foreign operations, revenue items are translated at the average rates prevailing during the period. Assets, liabilities and equity are translated at the closing rate. Any exchange difference arising on translation is recognized in the "Foreign Currency Translation Reserve".

(c) 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 recognized 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 recognized in the period in which the results are known/materialized.

3. Revenue Recognition:

(i) Sales revenue is recognized 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 recognized on accrual basis. Dividend income on investments is accounted for when the right to receive the payment is established.

(ii) Renewable Energy Certificates (RECs) are recognized as accrued on the basis of notification issued by Central Electricity Regulatory Commission (CERC). Revenue from RECs is recognized on the basis of actual sale price on transfer of certificates and on the basis of CERC prescribed floor price for RECs held by/accrued to the company.

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

4. Fixed Assets:

(i) Fixed Assets, including modernization 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.

5. Depreciation & Amortization :

(i) Depreciation on Tangible Assets, except leasehold land, has been provided using Straight Line Method based on estimated useful life or on the basis of rates prescribed under respective local laws. Leasehold lands are amortized over the period of lease on straight line basis.

(ii) 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.

(iii) Intangible Assets, other than Goodwill, are amortized over their estimated useful lives on straight line basis.

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.

NOTES TO FINANCIAL STATEMENTS

(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 recognized 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 recognized at the relevant rate prevailing on that date.

7. Inventories :

Inventories are valued as under:-

Stores & Spare Parts etc.#	At Cost or net realizable value whichever is lower
Raw Materials #	At Cost or net realizable value whichever is lower
Finished Goods	At Cost or net realizable value, whichever is lower and in case of products, where cost cannot be ascertained, at net realizable value.
Work-in-Process	At Raw Material Cost and/or at cost or net realizable 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 recognized 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 recognized on expenses based on actuarial valuation at year end using projected unit credit method. Actuarial gain and losses are recognized immediately in the profit and loss account.

10. Taxation on Income:

(i) Tax expense comprises current and deferred taxes. Current taxes are determined based on respective taxable income of each taxable entity and tax rules applicable for respective tax jurisdictions.

Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses.Such deferred tax assets and liabilities are computed separately for each taxable entity and for each taxable jurisdiction.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period when asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

The tax expense is not comparable with the profit before tax, since it is consolidated on a line-by-line addition for each subsidiary company and no tax effect is recorded in respect of consolidation adjustments. This accounting treatment is as per accounting standard AS-21.

(ii) Minimum Alternative Tax (MAT) credit is recognized 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 recognized 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 capitalized up to the date when such assets are ready for its intended use and other borrowing costs are charged to Profit & Loss Account.

12. Impairment:

Impairment loss is recognized wherever the carrying amount of an assets is in excess of its recoverable amount and the same is recognized 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 recognized in prior years is recorded when there is an indication that the impairment losses recognized for the assets no longer exist or have decreased.

13. Research and Development:

Expenditure incurred during research and development phase is charged to revenue when no intengible assets arises from such research.

14. Product warranty expenses

The estimated liability for product warranties is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence based on corrective actions on product failures. The timing of outflows will vary as and when warranty claim will arise.

15. 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.

16. 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

(₹ in million)

	31.3.2013	31.3.2012
2. SHARE CAPITAL		
(a) AUTHORISED		
100,000,000 (Previous year 100,000,000) Equity Shares of ₹ 5 each	500.00	500.00
ISSUED, SUBSCRIBED AND FULLY PAID		
43,693,333 (Previous year 56,296,500) Equity Shares of ₹ 5 each	218.47	281.48
Add: Forfeited Shares (Amount paid up)	0.02	0.02
	218.49	281.50
(b) Reconciliation of number of Shares (Nos.):		
Outstanding at the beginning of the year	56,296,500	56,296,500
Less: Shares brought-back	12,603,167	-
Outstanding at the end of the year	43,693,333	56,296,500

(c) The Company has only one class of issued shares i.e. Equity Share having par value of ₹ 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) Vardhan Limited, the holding company, holds 25,733,079 Equity Shares of ₹ 5 each in the company.

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

Name of the Shareholders	As at 31st March, 2013		As at 31st March, 2012	
	No. of shares	% of Holding	No. of shares	% of Holding
Vardhan Limited	25,733,079	58.89	25,733,079	45.71
R V Investment & Dealers Limited	3,210,120	7.35	3,210,120	5.70
International Finance Corporation	-	-	6,102,000	10.84
Mega Resources Limited	-	-	2,986,720	5.31

(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) The Company, during the year, had bought back 12,603,167 Equity Shares of ₹ 5 each from Open Market through Stock Exchanges for an aggregate amount of ₹ 494.21 million, by utilizing Securities Premium Account for ₹ 431.19 million and creating Capital Redemption Reserve out of General Reserve for ₹ 63.02 million being the nominal value of shares bought back in terms of Section 77AA of the Companies Act, 1956.

(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.

	31.3.2013		31.3.2012	
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	
Add: Transfer from General Reserve	63.02	72.69	-	9.67
(c) SECURITIES PREMIUM ACCOUNT				
As per last financial statements	592.70		634.26	
Less: Premium on redemption of FCCBs (net of Deferred Tax)	-		41.56	
Utilized towards buy-back of Equity Shares	431.19	161.51	-	592.70
(d) SPECIAL RESERVE				
As per last financial statements	18.53		17.83	
Add: Transfer from Surplus	0.81	19.34	0.70	18.53
(e) GENERAL RESERVE				
As per last financial statements	2,685.43		1,185.43	
Less: Transfer to Capital Redemption Reserve	63.02		-	
	2,622.41		1,185.43	
Add : Transfer from Surplus	5.00	2,627.41	1,500.00	2,685.43
(f) FOREIGN CURRENCY TRANSLATION RESERVE				
Adjustment for transfer of non-integral foreign operations		(2.22)		-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in million)

	31.3.2013		31.3.2012	
(g) SURPLUS				
Balance as per last Account	1,559.38		98.53	
Adjustment of Dividend paid	-		2.79	
Add: As per annexed Statement of Profit & Loss	78.93		3,056.90	
	1,638.31		3,158.22	
Less:				
Proposed Dividend on Equity Shares	65.54		84.44	
Provision for Dividend Tax	11.14		13.70	
Transfer to Special Reserve	0.81		0.70	
Transfer to General Reserve	5.00		1,500.00	
	82.49	1,555.82	1,598.84	1,559.38
Total		4,468.72		4,899.88

(₹ in million)

	Non-current		Current maturities	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012
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)	646.51	639.49	184.72	71.05
(Repayable in ten half yearly installments beginning from 3rd December, 2012)				
Vehicle Financing from Banks				
(Secured by hypothecation of related vehicles.)	0.41	1.90	1.50	1.89
	646.92	641.39	186.22	72.94
UNSECURED				
From Banks	208.72	-	-	-
	855.64	641.39	186.22	72.94
Less: Amount disclosed under the head "other current liabilities" (Note no.10)	-	-	186.22	72.94
	855.64	641.39	-	-

	31.3.2013		31.3.2012	
5. DEFERRED TAX LIABILITIES (NET)				
DEFERRED TAX LIABILITY				
Depreciation		208.93		183.12
DEFERRED TAX ASSETS				
Retirement Benefits	14.72		12.60	
Others	-	14.72	0.57	13.17
		194.21		169.95
6. OTHER LONG-TERM LIABILITIES				
Security Deposits		1.54		1.47

	Long-term		Short-term	
7. PROVISIONS	31.3.2013	31.3.2012	31.3.2013	31.3.2012
(a) Provision for employee benefits				
For Gratuity	32.42	29.87	3.12	2.25
For Accrued Leave	17.60	6.10	0.86	0.63
(c) Provision for Product Warranties	3.81	-	-	-
(d) Proposed Dividend	-	-	65.54	84.44
(e) Dividend Tax	-	-	11.14	13.70
	53.83	35.97	80.66	101.02

(₹ in million)

	31.3.2013	31.3.2012
8. SHORT-TERM BORROWINGS		
SECURED		
(a) From Banks		
Loans Repayable on Demand	58.56	-
(Secured by hypothecation of Inventories)		
Buyer's Credit	604.11	540.53
(₹ 148.47 million is secured against hypothecation by way of a subservient charge on all current assets and movable fixed assets of Ankleshwer plant and ₹ 455.64 million is secured by pledge of units of mutual funds)		
UNSECURED		
(b) From Banks		
Working Capital Loans Repayable on Demand	13.40	-
	676.07	540.53
9. TRADE PAYABLES		
(a) Due to Micro, Small & Medium Enterprises	-	-
(b) Due to Others	293.13	152.13
	293.13	152.13
10. OTHER CURRENT LIABILITIES		
(a) Current maturities of Long term debts	186.22	72.94
(b) Interest accrued but not due on borrowings	4.02	9.59
(c) Unpaid Dividend	3.87	3.42
(d) Project liabilities	17.71	42.50
(e) Customers' Credit Balances	0.74	0.64
(f) Employee related liabilities	31.64	12.65
(g) Statutory liabilities	11.14	4.23
(h) Security & Trade deposits	2.94	4.54
(i) Other liabilities	85.06	40.82
	343.34	191.33

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. FIXED ASSETS

(₹ in million)

	GROSS BLOCK					DEPRECIATION & AMORTIZATION					IMPAIRMENT				NET BLOCK	
PARTICULARS	As at 31.3.12	Additions	Other adjustment (Borrowing Cost)	Sales and/or adjustment	As at 31.3.13	As at 31.3.12	For the Year	Foreign Currency Translation adjustment	Sales and/or adjustment	Up to 31.3.13	As at 31.3.12	For the Year	Sales and/or adjustment	Up to 31.3.13	As at 31.3.13	As at 31.3.12
TANGIBLE ASSETS																
Land & Site Development	321.05	0.08	-	-	321.13	-	-	-	-	-	-	-	-	-	321.13	321.05
Leasehold land & Site Development	15.63	-	-	-	15.63	3.63	0.16	-	-	3.79	-	-	-	-	11.84	12.00
Buildings	371.23	79.06	-	-	450.29	59.04	31.30	(0.03)	-	90.31	-	-	-	-	359.98	312.19
Plant & Machinery	2,187.67	1,029.61	8.59	43.72	3,182.15	1,045.07	352.74	(0.40)	27.06	1,370.35	17.85	-	-	17.85	1,793.95	1,124.75
Furniture & Fixture, Office & Laboratory Equipments etc.	101.47	166.24	-	2.98	264.73	34.52	144.31	(0.07)	2.25	176.51	-	-	-	-	88.22	66.95
Vehicles and Fork Lifts	24.24	6.06	-	4.10	26.20	11.14	3.98	-	2.79	12.33	-	-	-	-	13.87	13.10
Railway Siding & Weigh Bridge	2.89	-	-	-	2.89	0.84	0.14	-	-	0.98	-	-	-	-	1.91	2.05
	3,024.18	1,281.05	8.59	50.80	4,263.02	1,154.24	532.63	(0.50)	32.10	1,654.27	17.85	-	-	17.85	2,590.90	1,852.09
INTANGIBLE ASSETS																
Goodwill	0.02	259.83	-	-	259.85	-	-	-	-	-	-	-	-	-	259.85	0.02
Computer Software	6.70	15.43	-	-	22.13	4.36	14.42	(0.04)	-	18.74	-	-	-	-	3.39	2.34
Product Development Cost	-	144.50	-	-	144.50	-	67.67	(0.28)	-	67.39	-	-	-	-	77.11	-
	6.72	419.76	-	-	426.48	4.36	82.09	(0.32)	-	86.13	-	-	-	-	340.35	2.36
	3,030.90	1,700.81	8.59	50.80	4,689.50	1,158.60	614.72	(0.82)	32.10	1,740.40	17.85	-	-	17.85	2,931.25	1,854.45
Capital Work-in-Progress															18.22	579.19
Intangible Assets under Development															-	0.35
TOTAL															2,949.47	2,433.99
Figures for the corresponding Previous year	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	2,433.99	

Note:

Additions and Depreciation & Amortization includes opening balances as on 2nd May, 2012 of APAG Holding AG (consolidated) of ₹ 659.83 million & ₹ 422.75 million respectively.

(₹ in million)

	Long-term		Short-term	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012
12. LOANS AND ADVANCES				
(a) Capital Advances				
Unsecured, Considered Good	46.51	4.57	-	-
(b) Security Deposits				
Unsecured, Considered Good	37.66	26.24	-	6.41
(c) Loans and Advances to related parties				
Unsecured, Considered Good	14.06	1.20	-	-
(d) Advances Recoverable in cash or in kind				
Other Advances				
Unsecured, Considered Good	0.28	0.29	25.92	22.54
(e) Other Loans and Advances				
Loans to Employees	0.17	0.42	3.70	1.61
Balance with Central Excise and other Government Authorities	-	-	108.49	64.49
Income & Wealth Tax Payments and Tax Deducted at Source less Provision	-	-	230.65	221.12
	98.68	32.72	368.76	316.17

	31.3.2013	31.3.2012
13. INVENTORIES		
(as certified by the Management)		
(a) Stores and Spare Parts etc.	43.38	26.16
(b) Raw Materials	227.91	69.45
Raw Materials in transit	7.92	-
(c) Finished Goods	121.20	82.38
(d) Work-in-Process	53.13	18.41
	453.54	196.40
14. TRADE RECEIVABLES		
(a) Outstanding for a period exceeding six months		
Unsecured, Considered Good	2.50	1.96
Doubtful	-	0.65
Under Litigation	-	1.09
Provision for Doubtful/litigation	-	(1.74)
	2.50	1.96
(b) Other receivables		
Unsecured, Considered Good	590.19	287.62
Doubtful	6.17	-
Provision for Doubtful	(6.17)	-
	590.19	287.62
	592.69	289.58
15. CASH AND BANK BALANCES		
CASH AND CASH EQUIVALENTS		
(a) Cash in hand	0.71	0.44
(b) Cheques/Drafts in hand	0.06	0.12
(c) Balances with Scheduled Banks		
In Current Account	18.50	27.10
In Current Account (Foreign Currency)	5.17	0.78
In Cash Credit Account	67.13	0.86
In Fixed deposit within 3 months maturity	-	100.00
OTHER BANK BALANCES		
Earmarked balances with Banks (Unpaid Dividend Account)	3.87	3.42
In Fixed deposit (Receipt deposited as security)	27.05	37.61
	122.49	170.33

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in million)

	31.3.2013	31.3.2012
16. OTHER CURRENT ASSETS		
(a) Interest and Dividend Receivable		
Unsecured, Considered Good	17.78	24.56
(b) Export Benefits and Claims Receivable		
Unsecured, Considered Good	50.08	45.92
	67.86	70.48

	2012-2013		2011-2012	
17. REVENUE FROM OPERATIONS				
(a) Sale of Products				
Caustic Soda 100% (NaOH)	-		268.78	
Stable Bleaching Powder	-		35.17	
Chlorinated Paraffins	-		88.49	
Power Generation	-		67.86	
Aluminium Chloride	-		106.16	
Pentaerythritol	742.90		662.09	
Formaldehyde(37%)	1,114.40		836.33	
Hexamine	489.33		469.57	
Power Generation	8.57		-	
Electronic & Mechatronic Modules etc.	1,288.69		-	
Others	292.72	3,936.61	615.04	3,149.49
(b) Other Operating Revenues				
Miscellaneous Sales	15.45		18.79	
Renewal Energy Certificate benefits	36.83		-	
Insurance and other claims	-		1.45	
Export benefits	2.06		6.58	
Interest	0.08		0.97	
Others	0.15	54.57	-	27.79
Gross Revenue from Operations		3,991.18		3,177.28
(c) Excise Duty		276.90		268.99
		3,714.28		2,908.29
Less: Revenue from trial-run Production		-		2.32
Net Revenue from Operations		3,714.28		2,905.97
18. OTHER INCOME				
Interest Income				
On long term Investments	65.69		35.93	
On Current Investments	48.20		36.55	
From Others	13.70	127.59	14.72	87.20
Dividend Income				
On long term Investments	4.22		2.58	
On Current Investments	0.20	4.42	104.24	106.82
Net gain/(loss) on Sale of Investments				
On long term Investments	57.40		(0.14)	
On Current Investments	48.46	105.86	12.56	12.42
Rent Income		3.25		4.11
Liabilities no longer required written back		0.69		6.44
Other receipts		2.35		2.24
		244.16		219.23
19. COST OF MATERIAL CONSUMED				
Raw Material consumption				
Salt	-		39.45	
Aluminium Ingot	-		46.06	
Normal Paraffin	-		53.96	
Methanol	1,218.15		1,025.61	
Molasses	32.42		233.73	
Anhydrous Ammonia	111.89		99.26	
Ethanol	127.92		-	
PCBs & Components etc.	608.99		-	
Others	136.30	2,235.67	234.00	1,732.07
Less: Transfer to Capital Work in progress				
Methanol	-		1.26	
Others	-	-	0.61	1.87
		2,235.67		1,730.20

(₹ in million)

	2012-2013		2011-2012	
20. CHANGE IN INVENTORIES				
	Finished Goods	Work-in-Process	Finished Goods	Work-in-Process
Opening 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
Electronic & Mechatronic Modules etc.	33.24	38.72	-	-
Others	51.63	10.99	27.63	22.72
	115.61	57.13	135.66	43.12
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				
Pentaerythritol	67.75	4.67	14.77	5.06
Formaldehyde (37%)	11.24	0.05	12.25	-
Hexamine	5.74	1.90	3.72	2.36
Electronic & Mechatronic Modules etc.	32.92	35.54	-	-
Others	3.55	10.98	51.63	10.99
	121.20	53.14	82.37	18.41
	(5.59)	3.99	(17.84)	6.06
Transfer to Foreign Currency Translation Reserve	(1.76)	-	-	-
Change in Excise Duty on Stocks	3.02	-	(4.95)	-
	(4.33)	3.99	(22.79)	6.06
Total		(0.34)		(16.73)
21. EMPLOYEES BENEFITS EXPENSE				
Salaries, Wages, Bonus & Gratuity etc. (including payments to Contractors)		453.77		172.36
Contribution to Provident Fund		18.72		8.63
Welfare Expenses		59.97		14.26
		532.46		195.25
Less: Transfer to capital work in progress		21.44		0.95
		511.02		194.30
22. FINANCE COST				
Interest expense:		54.16		126.50
Other borrowing Costs		4.43		6.48
Net gain/loss on foreign currency transaction attributable as adjustment to interest cost		30.13		9.40
		88.72		142.38
Less: Transfer to capital work in progress		6.60		6.37
		82.12		136.01
23. DEPRECIATION AND AMORTISATION				
Depreciation		166.67		154.90
Amortization		25.30		2.13
		191.97		157.03
Less: Transfer to capital work in progress		0.03		-
		191.94		157.03

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in million)

	2012-2013		2011-2012	
24. OTHER EXPENSES				
Consumption of Stores & Spare parts etc.		76.07		76.18
Other Manufacturing Expenses		79.78		20.48
Power & Fuel		297.07		410.69
Repairs to				
Plant & Machinery		34.45		58.41
Buildings		8.17		7.98
Others		5.24		8.57
Water Charges & Cess		14.98		16.41
Rates & Taxes (including Provision for wealth tax ₹ 0.08 million) (Previous Year ₹ 0.06 million)		4.32		4.59
Rent		31.70		9.56
Insurance		12.37		6.80
Legal and Professional Charges		87.05		26.48
Research & Development Expenses		15.02		-
Product Warranty Expenses		5.94		-
Miscellaneous Expenses		68.72		44.75
Foreign Exchange Rate Fluctuation		14.54		5.90
Commission & Brokerage to Others		7.10		12.64
Freight, Handling & Other Charges		15.71		35.94
Directors' Fees		0.87		0.80
Travelling Expenses (including Directors' Travelling ₹ 8.48 million) (Previous Year ₹ 6.67 million)		28.33		15.84
Charity & Donations		0.09		0.15
Payment to Auditors				
(a) Statutory Auditors				
Audit Fees	1.33		0.64	
For Certificates & Others	0.77		0.57	
For Travelling and out of pocket expenses	0.10		0.18	
(b) Cost Auditors				
Audit Fees	0.14		0.10	
For Travelling and out of pocket expenses	0.01		0.01	
(c) Tax Auditors				
Audit Fees	0.10	2.45	0.10	1.60
Directors' Remuneration		15.70		18.28
Provision for bad & doubtful Debts & Advances (net)		(0.28)		(7.13)
Unrealized Debts and Claims written off		1.95		15.23
Loss on Fixed Assets sold/discarded (Net)		9.73		8.89
Previous Years Adjustments (Net)		0.40		1.37
		837.47		800.41
Less: Transfer to Capital work in progress				
Power & Fuel	1.13		0.25	
Repairs & Maintenance to others	0.01		0.04	
Rates & Taxes	0.05		0.00	
Rent	0.47		0.00	
Insurance premium	0.27		0.20	
Legal & Professional Charges	8.28		9.72	
Research & Development Expenses	2.51		0.00	
Miscellaneous expenses	3.22		0.83	
Foreign Exchange Rate Fluctuation	(1.13)		0.00	
Travelling expenses	0.20	15.01	0.65	11.69
		822.46		788.72

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

25. The list of subsidiaries which are included in the Consolidated Financial Statements of the Kanoria Chemicals & Industries Limited and its effective ownership interest therein are as under:

Name of the Company	Relationship	Country of Incorporation	Ownership Interest	
			2012-2013	2011-2012
Pipri Limited	Subsidiary	India	100%	100%
Kanoria Africa Textiles PLC	Subsidiary	Ethiopia	100%	-
APAG Holding AG	Subsidiary	Switzerland	90%	-

For the purpose of consolidation, the consolidated financial statements of APAG Holding AG reflecting consolidation of following entities as at 31st March, 2013 prepared in accordence with Swiss code of obligation have been restated, where considered material, to comply with Generally Accepted Accounting Principles in India. Disclosures in respect of these foreign subsidiaries are given to the extent of available information.

Name of the Company	Relationship	Country of Incorporation	Ownership Interest	
			2012-2013	2011-2012
APAG Elektronik AG	Subsidiary	Switzerland	100%	-
APAG Elektronik s.r.o.	Subsidiary of APAG Elektronik AG	Czech Republic	100%	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(₹ in million)

	2012-2013	2011-2012
26. EARNINGS PER SHARE		
(a) Net Profit available to Equity Shareholders	78.93	3,056.90
(b) Weighted average number of Equity Shares for EPS calculation		
Number of Equity Shares for Basic/Diluted EPS	53,396,616	56,296,500
(c) Earnings per Share		
Basic/Diluted (₹)	1.48	54.30
27. CONTINGENT LIABILITIES AND COMMITMENTS		
(to the extent not provided for)		
(i) Contingent Liabilities		
(a) Claims/Disputed liabilities not acknowledged as debt (paid ₹ 105.13 million)	147.85	133.08
(b) Outstanding Bank Guarantees	32.38	16.86
(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	83.62	102.10
Advances paid	46.51	4.57

28. For the year ended 31st March, 2013, the Board of Directors of the Company have recommended dividend of ₹ 1.50 per share (Previous year ₹ 1.50 per share) to equity shareholders aggregating to ₹ 65.54 million (Previous year ₹ 84.44 million). Together with the Corporate Dividend Distribution Tax of ₹ 11.14 million (Previous year ₹ 13.70 million), the total payout will be ₹ 76.68 million (Previous year ₹ 98.14 million).

29. Due to inadequacy of profits as per Section 349 of the Companies Act, 1956 (the Act), the remuneration of ₹ 13.53 million (including ₹ 2.53 million paid in previous year) to Managing Director for the period from 10th January, 2012 to 31st March, 2013, which includes an amount of ₹ 6.94 million in excess of limit specified under section 309 (3) read with schedule XIII of the Act., is subject to the approval of the Central Government which is awaited.

30. 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 ₹ 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 :

	2012-2013	2011-2012
Total Revenue	-	606.10
Cost of Raw Materials consumed	-	178.89
Changes in Inventories	-	31.57
Employee Benefits expenses	-	39.81
Finance Costs	-	57.96
Depreciation & Amortization	-	46.04
Other Expenses	-	195.79
Profit before Tax	-	56.04
Tax expense	-	18.18
Profit after Tax	-	37.86

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31. SEGMENT REPORTING

(A) Primary Segment Information (by Business Segment)

(₹ in million)

	2012-2013					2011-2012			
Business Segment	**Alco Chemicals**	**Solar Power**	**Electronic Automotive**	**Others**	**Total**	**Chloro Chemicals**	**Alco Chemicals**	**Others**	**Total**
Segment Revenue									
Revenue from operations (net of excise)	2,380.10	45.41	1,288.69	0.08	3,714.28	599.33	2,305.67	0.97	2,905.97
Segment Result									
(Profit before Interest & Tax)	34.10	12.48	49.18	4.11	99.87	114.00	38.45	1.12	153.57
Less: (i) Finance Cost					82.12				136.01
(ii) Other Un-allocable expenditure net off Un-allocable income (including exceptional items)					(97.82)				(3,688.48)
Profit before Tax					115.57				3,706.04
Add : Taxation for earlier years					(0.05)				0.02
Less: Provision for Taxation -Current					10.77				1,055.96
-Deferred					22.78				(347.90)
Add: MAT credit entitlement					-				58.90
Net Profit:					**81.97**				**3,056.90**
Other Information									
Segment Assets	2,535.68	654.94	697.20	84.23	3,972.05	-	2,424.45	80.21	2,504.66
Un-allocable Corporate Assets					3,228.86				4,510.51
Total Assets:					**7,200.91**				**7,015.17**
Segment Liabilities	276.83	15.11	182.89	0.05	474.88	-	234.77	0.05	234.82
Un-allocable Corporate Liabilities					111.41				174.16
Total Liabilities:					**586.29**				**408.98**
Segment Capital Employed	2,258.85	639.83	514.31	84.18	3,497.17	-	2,189.68	80.16	2,269.84
Un-allocable Capital Employed					3,117.45				4,336.35
Total Capital Employed:					**6,614.62**				**6,606.19**
Capital Expenditure	85.71	639.53	56.81	-	782.05	-	190.26	-	190.26
Un-allocable Capital Expenditure					7.53				59.64
Total Capital Expenditure:					**789.58**				**249.90**
Depreciation & Amortization	104.20	22.25	60.58	-	187.03	46.04	105.54	-	151.58
Un-allocable Depreciation					4.91				5.45
Total Depreciation:					**191.94**				**157.03**
Other Non-cash expenses	-	-		-	-	-	-	-	-

(B) Secondary Segment information (by Geographical demarcation)

Geographical Segment	2012-2013			2011-2012		
	India	**Rest of the World**	**Total**	**India**	**Rest of the World**	**Total**
Segment Revenue	2,372.59	1,341.69	3,714.28	2,749.97	156.00	2,905.97
Segment Assets	6,482.25	718.66	7,200.91	7,011.37	3.80	7,015.17
Segment Liabilities	403.40	182.89	586.29	408.88	0.10	408.98
Capital Expenditure	732.77	56.81	789.58	249.90	-	249.90

(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 subsidiaries.

Type of products included in each reported business segment:

Alco Chemicals business includes Pentaerythritol, Sodium Formate, Acetaldehyde, Formaldehyde, Hexamine, Industrial Alcohol, Acetic Acid & Ethyl Acetate etc., Solar Power business includes Power generation from Solar energy, Electronic Automotive business includes electronic mechatronic modules etc and others includes Financial Activities & others.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

32. RELATED PARTY DISCLOSURES

(₹ in million)

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

Name of the Related Parties	Relationship
1. Vardhan limited	Holding Company
2. Mr. R. V. Kanoria - Chairman & Managing Director 3. Mr. T. D. Bahety - Whole Time Director	Key Management Personnel
4. Mr. S. V. Kanoria 5. Mr. A. V. Kanoria 6. Mrs. V. Kanoria	Relative of Key Management Personnel
7. KPL International Limited	Enterprises over which Key Management Personnel exercises significant influence

(ii) Transaction with related parties:

	2012-2013				2011-2012			
Nature of Transaction	**Holding Company**	**Key Management Personnel**	**Relative of Key Management Personnel**	**Enterprises over which Key Management Personnel exercises significant influence**	**Holding Company**	**Key Management Personnel**	**Relative of Key Management Personnel**	**Enterprises over which Key Management Personnel exercises significant influence**
Remuneration	-	15.70	9.31	-	-	18.28	4.72	-
Dividend Paid	38.60	0.66	1.48	-	123.66	2.19	4.45	-
Sale of Fixed Assets	-	-	-	-	-	-	-	2.30
Commission Paid	-	-	-	0.53	-	-	-	-
Rent received	-	-	-	0.66	-	-	-	0.59
Rent Paid	-	-	-	1.67	-	-	-	3.04
Security Deposit Received	-	-	-	-	-	-	-	(0.24)
Security Deposit Paid	-	-	-	(0.45)	-	-	-	(0.36)
Balances due from	-	-	-	0.75	-	-	-	1.20
Balances due to	-	-	0.77	0.32	-	-	0.45	0.05

33. Figures for the previous year have been regrouped/rearranged, wherever found necessary.

Signatures to Notes 1 to 33

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

For and on behalf of the Board

ANURAG SINGHI
Partner
Membership No. 66274

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

Camp: New Delhi
Dated, the 23rd day of May 2013

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

FINANCIAL INFORMATION RELATING TO SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31ST MARCH, 2013, PURSUANT TO GENERAL EXEMPTION UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956

(₹ in million)

Name of Subsidiaries ==>	Pipri Limited	Kanoria Africa Textiles PLC*	APAG Holding AG*	APAG Elektronik AG* #	APAG Elektronik s.r.o.* @
Country of incorporation ==>	India	Ethiopia	Switzerland	Switzerland	Czech Republic
Repoting Currency ==>	INR	ETB	CHF	CHF	CZK
Exchange Rate as on 31.3.2013 ==>		₹ 2.9405	₹ 57.2053	₹ 57.2053	₹ 2.7045
(a) Capital	46.51	49.69	17.16	28.60	21.91
(b) Reserves	37.36	-	42.31	208.80	43.32
(c) Share Application Money pending allotment	-	0.08	-	-	-
(d) Total Liabilities	0.36	0.29	103.09	516.67	385.31
(e) Total Assets	84.23	50.06	162.56	754.07	450.54
(f) Turnover (Gross Revenue)	4.31	-	3.45	1,311.81	828.84
(g) Profit/(Loss) before Taxation	4.11	-	(3.47)	17.81	21.66
(h) Provision for Taxation	0.15	-	0.02	0.25	5.39
(i) Profit/(Loss) after Taxation	3.96	-	(3.49)	17.56	16.27
(j) Proposed Dividend	-	-	-	-	-
(k) Investments**	81.49	-	-	-	-

* Balance Sheet items are translated at closing exchange rate and Profit/(Loss) items are translated at average exchange rate.

** Excluding Investment in Subsidiaries.

\# Subsidiary of APAG Holding AG

@ Subsidiary of APAG Elektronik AG