



# *Chemfab Alkalis Limited*

## **BOARD OF DIRECTORS**

Dr C H Krishnamurthi Rao - Chairman  
Mr Suresh Rao - Vice Chairman  
Mr C S Ramesh  
Mr T Ramabadhran  
Mr Umaid Singh Baid  
Mr J Venkataraman

## **VICE PRESIDENT - FINANCE**

Mr Nitin S Cowlagi

## **AUDITORS**

M/s Deloitte Haskins & Sells  
ASV N Ramana Tower, 52, Venkatnarayana Road, T.Nagar, Chennai 600 017

## **BANKERS TO THE COMPANY**

State Bank of India  
The Lakshmi Vilas Bank Limited  
AXIS Bank Limited  
Bank of Baroda

## **REGISTERED OFFICE AND FACTORY**

### **Chlor-Alkali Division :**

'Gnanananda Place', Kalapet, Puducherry 605 014  
Phone : 0091-413-2655111, Fax : 0091-413-2655125  
E-mail : chemfabalkalis@drroaholdings.com, website : www.chemfabalkalis.com

### **Chlorates Division :**

Abishekapakkam, Poornakuppam Post, Puducherry 605 007

### **Salt Division :**

Kanthadu Village, Tindivanam Taluk, Villupuram District

### **Corporate Office:**

'Team House', GST Road, Vandalur, Chennai-600 048.  
Phone : 0091-44-22750323 / 24, Fax : 0091-44-22750860  
Email : team@drroaholdings.com

### **Chennai Marketing Office**

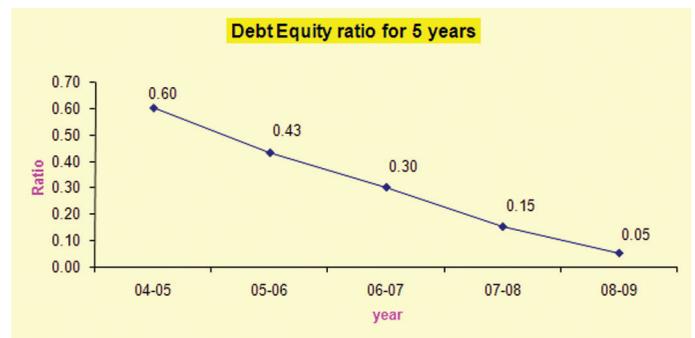
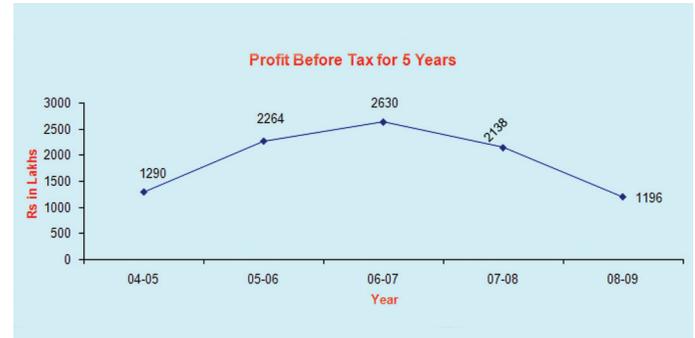
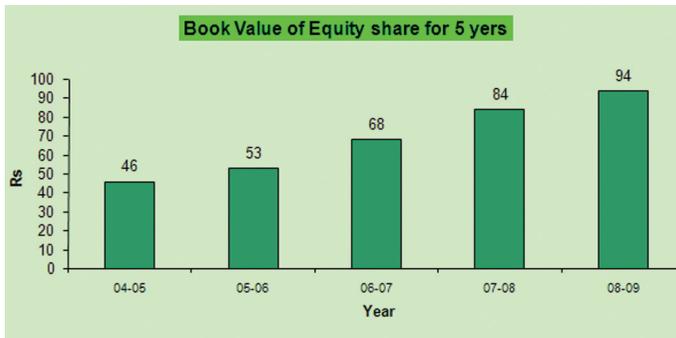
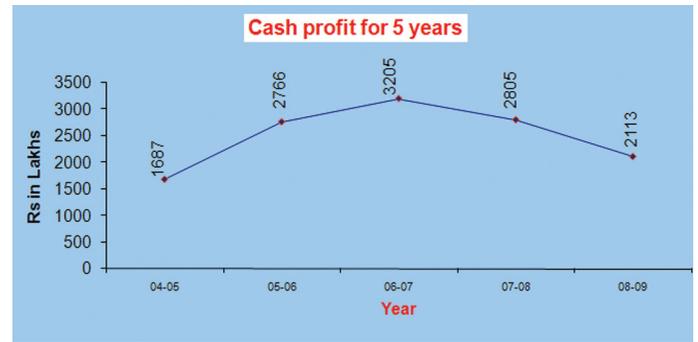
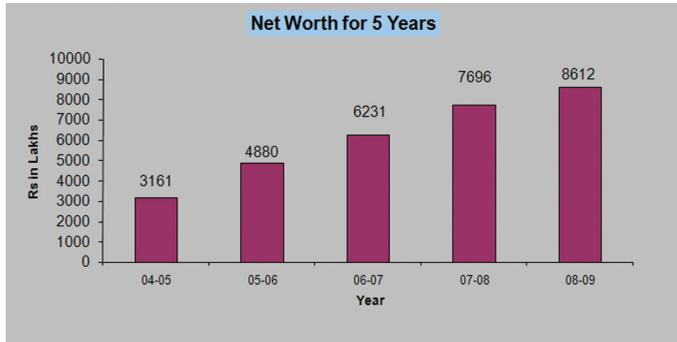
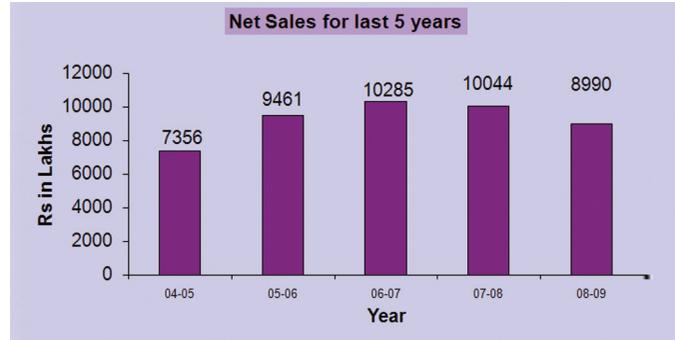
1st Floor, Majestic Towers, Old No.1-A, HD Raja Street, New No.101 Eldams Road, Chennai 600 018  
Phone : 0091-44-52031444, Fax : 0091-44 24347959  
Email: chemfabmktg@drroaholdings.com

### **Membrane Hitec Division**

'Team House', GST Road, Vandalur, Chennai-600 048.  
Phone : 0091-44 22750323, Fax: 0091-44-22750860  
Email: membrane@drroaholdings.com

### **Dr Rao Holdings Pte Ltd**

371 Beach Road, #22-07 Key Point, Singapore 199 597  
Phone: 0065-67745994, Fax : 0065-67745997  
Email: drhkrao@pacific.net.sg



# CHEMFAB ALKALIS LIMITED

## KEY FINANCIALS AT A GLANCE

| PARTICULARS               | UNIT    | 31.03.09 | 31.03.08 | 31.03.07 |
|---------------------------|---------|----------|----------|----------|
| PRODUCTION OF CSL         | QTY/M.T | 30,694   | 37,668   | 41,027   |
| SALES OF CSL              | QTY/M.T | 29,003   | 36,792   | 39,315   |
| NET SALES                 | Rs/LACS | 8,990    | 10,044   | 10,285   |
| INTEREST PAID             | Rs/LACS | 88       | 135      | 164      |
| NET PROFIT BEFORE TAX     | Rs/LACS | 1,196    | 2,139    | 2,630    |
| DIVIDEND                  | %       | 0        | 0        | 100      |
| RESERVES AND SURPLUS      | Rs/LACS | 8,153    | 7,237    | 5,773    |
| NET WORTH                 | Rs/LACS | 8,612    | 7,696    | 6,231    |
| <b>KEY RATIOS:</b>        |         |          |          |          |
| GROSS PROFIT RATIO        | %       | 24       | 29       | 33       |
| NET PROFIT RATIO          | %       | 13       | 21       | 26       |
| RECEIVABLE TURNOVER RATIO | DAYS    | 31       | 28       | 31       |
| DEBT EQUITY RATIO         | TIMES   | 0.05     | 0.15     | 0.30     |
| D.S.C.R                   | TIMES   | 2.44     | 2.51     | 3.46     |
| E.P.S                     | Rs      | 9.97     | 15.96    | 19.69    |
| BOOK VALUE PER SHARE      | Rs      | 93.89    | 83.90    | 68       |

**GENERAL NOTE :**  
RESERVES INCLUDES DEFERRED TAX LIABILITY



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twenty Sixth Annual Report, together with the Audited Statements of Accounts for the year ended 31st March, 2009.

### FINANCIAL RESULTS

| Particulars                             | Current Year<br>31-03-2009<br>Rs. in lakhs | Previous Year<br>31-03-2008<br>Rs. in lakhs |
|-----------------------------------------|--------------------------------------------|---------------------------------------------|
| Profit before Interest and Depreciation | 2,201                                      | 2,940                                       |
| Less: Interest                          | 88                                         | 135                                         |
| Profit Before Depreciation              | 2,113                                      | 2,805                                       |
| Less: Provision for Depreciation        | 917                                        | 667                                         |
| Net Profits before Tax                  | 1,196                                      | 2,138                                       |
| Add : Profits from earlier years        | 3,843                                      | 2,438                                       |
| Total funds available for appropriation | 5,039                                      | 4,576                                       |
| Taxation                                | 280                                        | 674                                         |
| Deferred Tax Liability                  | 132                                        | 59                                          |
| Net Profits after Tax                   | 784                                        | 1,405                                       |
| Balance carried forward                 | 4,627                                      | 3,843                                       |

### OPERATIONS

The operations of the Company were adversely affected by the general shortfall in the supply of power. Consequently, since May, 2008, the Electricity Department has been imposing restrictions on the usage of power and therefore, the Company has been forced to operate the Plant at a lower load, leading to a lower production, resulting in lower profitability. Added problem is the unannounced power cuts without notice.

The Chlorates Division's performance was also adversely affected by the shortage of power as well as the labour problems.

The Salt Division had a production of 43818 MT of Industrial Grade Salt during the last season and loss of production due to flood was 11771 MT.

The performance of the Membrane Hitec Division is satisfactory.

The performance of the Health Products Division is yet to stabilize at the desired level and efforts are continuing towards improving the performance of the Division.

### DIVIDEND

Keeping in mind the high cost of the Bank funds, credit crunch, global recession, lower profitability due to power shortage and the consequent need to conserve the liquid funds of the Company, the Directors have decided not to recommend any Dividend for the year ended 31st March, 2009.

### FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings : Rs. 85,47,531/-

Outgo : Rs. 78,82,306/-



**POWER AND FUEL CONSUMPTION**

| PARTICULARS           |                                                                    | CURRENT YEAR<br>31ST MARCH, 2009 | PREVIOUS YEAR<br>31ST MARCH, 2008 |
|-----------------------|--------------------------------------------------------------------|----------------------------------|-----------------------------------|
| ALKALI<br>PRODUCTS    | I. ELECTRICITY                                                     |                                  |                                   |
|                       | PURCHASED:                                                         |                                  |                                   |
|                       | - UNITS                                                            | 8,63,78,050                      | 10,29,45,150                      |
|                       | - TOTAL AMOUNT / Rs. in Lakhs                                      | 2,656                            | 3,119                             |
|                       | RATE PER UNIT [GROSS] Rs.                                          | 3/-                              | 3/-                               |
|                       | CONSUMPTION PER TONNE OF<br>ELECTROCHEMICAL<br>PRODUCTION - KWH/AC | 2,814                            | 2,733                             |
|                       | II. FURNACE OIL                                                    |                                  |                                   |
|                       | [a] PURCHASED:                                                     |                                  |                                   |
|                       | - Quantity [KL]                                                    | 508                              | 412                               |
|                       | - Total Amount / Rs.in Lakhs                                       | 117                              | 83                                |
|                       | - Average Rate per KL / Rs.                                        | 23,084                           | 20,022                            |
|                       | [b] CONSUMPTION:                                                   |                                  |                                   |
|                       | - Furnace Oil [KL]                                                 | 498                              | 423                               |
|                       | - Amount / Rs.in Lakhs                                             | 116                              | 84                                |
| - Amount per KL / Rs. | 23,316                                                             | 19,783                           |                                   |
| CHLORATES             | I. ELECTRICITY                                                     |                                  |                                   |
|                       | PURCHASED:                                                         |                                  |                                   |
|                       | - Units                                                            | 87,54,286                        | 1,00,34,018                       |
|                       | - Total Amount / Rs.in Lakhs                                       | 260                              | 297                               |
|                       | Rate / Unit [Gross] Rs.                                            | 2.97                             | 2.96                              |
|                       | Consumption per Tonne of<br>Sodium Chlorate Production KWH/AC      | 5,998                            | 5,988                             |
|                       | II. HUSK                                                           |                                  |                                   |
|                       | [a] PURCHASED:                                                     |                                  |                                   |
|                       | - Quantity [MT]                                                    | 1,411                            | 1,336                             |
|                       | - Total Amount / Rs.in Lakhs                                       | 29                               | 27                                |
|                       | Average rate per MT/ Rs.                                           | 2,085                            | 2,035                             |
|                       | [b] CONSUMPTION:                                                   |                                  |                                   |
|                       | - Husk [MT]                                                        | 1,401                            | 1,346                             |
|                       | - Amount / Rs.in Lakhs                                             | 29                               | 27                                |
| - Amount per MT / Rs. | 2,084                                                              | 2,018                            |                                   |



#### **FIXED DEPOSITS**

The Company has not accepted any deposits from the public.

#### **DIRECTORS**

The following Directors retire by rotation at the ensuing Annual General Meeting.

1. Dr.C.H.Krishnamurthi Rao
2. Mr.T.Ramabadhan

Your Directors co-opted Mr.J.Venkataraman as an Additional Director on the 1st October, 2008. Under the provisions of Section 260 of the Companies Act, 1956, Mr.J.Venkataraman would vacate his Office at the ensuing Annual General Meeting. However, a Notice under Section 257 of the Companies Act, 1956 has been received from a Member signifying his intention to propose the appointment of Mr. J.Venkataraman as a Director of the Company at the Annual General Meeting.

#### **AUDITORS**

The present Auditors of the Company, M/s Deloitte Haskins & Sells, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

#### **COST AUDITOR**

The Company has re-appointed Mr.V.Kalyanaraman, Cost Accountant, as the Cost Auditor of the Company for the year 2009-2010, subject to the approval of the Central Government.

#### **PARTICULARS OF EMPLOYEES**

The Company has no employees, attracting the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217 [2AA] of the Companies Act, 1956, the Board of Directors hereby confirm -

- (i) that the Annual Accounts had been prepared in line with the accounting standards and proper explanations have been given wherever there has been material departures.
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the Financial Year and of the Profit of the Company for the year.
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the Directors had prepared the Annual Accounts on a going concern basis.

#### **RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND CONSERVATION OF ENERGY**

The Company has an in-house Research and Development Department, where the main areas of focus are, Energy Conservation, Process Upgradation and Environmental Preservation. The recognition of the Company's in-house R & D facilities by the Ministry of Science and Technology, Department of Scientific and Industrial Research, Government of India, is valid up to 31.03.2010.

The Membrane Hitec Division is carrying out the research activities to provide innovative and eco-friendly solutions to industrial and domestic customers' requirements of water and effluent treatment. The Ministry of Science and Technology, Department of Scientific and Industrial Research, Government of India, has already recognized the in-house R & D of this Division. The application to recognize the R & D beyond 31.03.2009, has already been made to the Ministry.

#### **CORPORATE GOVERNANCE**

The Company has been scrupulously following the Corporate Governance norms prescribed by the Securities and Exchange Board of India [SEBI]. The Report on the status of the Compliance of Corporate Governance Guidelines of SEBI, is enclosed as an Annexure to this Report.

#### **SECRETARIAL COMPLIANCE CERTIFICATE**

Consequent upon the issue of a recent Notification by the Ministry of Corporate Affairs, all companies with a paid-up capital Rs.2 Crores and above, but less than Rs.5 Crores, which do not have a Company Secretary, are required to have a Secretarial Audit conducted by a Practising Company Secretary and obtain a Compliance Certificate and file it with the Registrar of Companies. Accordingly, a Secretarial Audit has been conducted by a Practising Company Secretary, whose Compliance Certificate is attached to this Report.

#### **INDUSTRIAL RELATIONS**

During the year under review, the Charter of Demands of the workmen at the Chlor Alkali Division, was amicably settled.

The settlement of the demands of the workers at the Chlorates Division is expected to be completed in due course.

For and on behalf of the Board of Directors

**SURESH RAO**  
DIRECTOR

**C S RAMESH**  
DIRECTOR

Place : Chennai  
Date : April 2, 2009



**K.Rajagopalan**  
Company Secretary  
FCS No.1622  
CP No.3812

Plot No.2,  
Shah Avenue Extension I  
Rajakilpakkam,  
Chennai - 600 073

Registration Number  
of the Company : 59-224 (CIN L24297PY1983PLC000224)  
Nominal Capital : Rs.21,14,00,000  
Paid up Capital : Rs. 4,58,58,485

#### COMPLIANCE CERTIFICATE

To  
The Members of  
Chemfab Alkalis Limited  
Puducherry - 605 014

I have examined the Registers, Records, Books and Papers of Chemfab Alkalis Limited (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the Rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the Financial Year ended on 31st March, 2009.

In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its Officers and Agents, I certify that in respect of and during the aforesaid Financial Year:

1. The Company has kept and maintained all Registers as stated in Annexure `A' to this Certificate, as per the provisions of the Act and the Rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the Forms and Returns as stated in Annexure `B' to this Certificate, with the Registrar of Companies, as prescribed under the Act and the Rules made thereunder.
3. The Company, being a Public Company, has the minimum prescribed Paid-up Capital.
4. The Board of Directors duly met 4 (Four) times on 03.04.2008, 07.07.2008, 01.10.2008 and 05.01.2009 in respect of which Meetings, proper notices were given and the proceedings were properly recorded and signed, including the three Circular Resolutions passed on 10.12.2008 (2) and 14.03.2009 (1), in the Minutes Book maintained for the purpose.
5. The Company closed its Register of Members from 26.04.2008 to 30.04.2008, both days inclusive and necessary compliance of Section 154 of the Act has been made.
6. The Annual General Meeting for the Financial Year ended on 31.03.2008 was held on 30.04.2008, after giving due notice to the Members of the Company and the Resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No Extraordinary General Meeting was held.
8. The Company has not advanced any loan(s) to its Directors and/or persons or firms or companies referred to in the Section 295 of the Act.
9. The Company has not entered into any contract pursuant to the provisions of Section 297 of the Act.
10. The Company has made the necessary entries in the Register maintained under Section 301 of the Act, in respect of the transactions attracting the provisions of Section 299 of the Act.
11. The Company did not make any appointments that would attract the provisions of Section 314 of the Act.
12. The duly constituted Committee of the Board of Directors has approved the issue of duplicate Share Certificates.
13. The Company has:
  - i. delivered all the Certificates on lodgement thereof for transfer/transmission in accordance with the provisions of the Act. There was no allotment of Shares.
  - ii. not declared any Dividend
  - iii. no unpaid/unclaimed dividend, application money due for refund, matured deposits and matured debentures in its Books of Accounts, that are required to be transferred to the Investor Education and Protection Fund;
  - iv. duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointment of Directors, including an Additional Director, has been duly made.
15. The Company is a Board Managed Company and has no Managing Director or Wholtime Director or Manager.
16. The Company has not appointed any Sole-selling Agent.
17. The Company has obtained the necessary approvals under the various provisions of the Act, as detailed below:-
  - a. Approval from the Central Government under Section 211(4) of the Act, in respect of the non-disclosure of quantitative details in the Accounts.
  - b. Approval from the Central Government under Section 233B of the Act, in respect of the appointment of the Cost Auditor.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the Rules made thereunder.
19. The Company has not issued any shares/debentures/other securities.



20. The Company has not bought back any shares.
21. The Company has not issued any Preference Shares or Debentures and hence the question of redeeming them does not arise.
22. There was no need for the Company to keep in abeyance the rights to Dividend, Rights Shares and Bonus Shares pending registration of transfer of shares.
23. The Company has not invited/accepted any Fixed Deposits under the provisions of Sections 58A read with the Companies (Acceptance of Deposits) Rules, 1975.
24. The amounts borrowed by the Company from Banks and others during the Financial Year ended 31st March, 2009, are within the borrowing limits of the Company and that necessary Resolution as per section 293(1)(d) of the Act has been passed in a duly convened General Meeting.
25. The Company has not made any fresh Investment/Loan or given any Guarantee.
26. The Company has not altered the provisions of the Memorandum with respect to the situation of its Registered Office from one state to another.
27. The Company has not altered the provisions of the Memorandum with respect to its Objects.
28. The Company has not altered the provisions of the Memorandum with respect to its Name.
29. The Company has not altered the provisions of the Memorandum with respect to its Share Capital.
30. The Company has not altered its Articles of Association.
31. No prosecution has been initiated against the Company. The Company and its Directors received three Show Cause Notices dated 30.06.2008 (2) and 21.10.2008 (1), seeking clarifications on certain alleged procedural violations, following a routine inspection conducted by the Office of Registrar of Companies, Puducherry. The Company duly replied to all the Show Cause Notices and the explanations/clarifications/request of the Company were accepted and all further proceedings have been dropped by the Department of Corporate Affairs.
32. The Company has not received any security deposit from its employees that would attract the provisions of Section 417(1) of the Act.

33. Section 418 of the Act, with regard to the remittance of Provident Fund contribution, is not applicable to the Company.

Signature : Sd/-  
Name of the Company Secretary : K.Rajagopalan

Place : Chennai  
Date : April 2, 2009.

#### Annexure A

Registers as maintained by the Company

1. Register of Members under Section 150 of the Act.
2. Register of Directors, etc. under Section 303 of the Act.
3. Register of Directors' Shareholdings under Section 307 of the Act.
4. Minutes Book of the Board Meetings under Section 193 of the Act.
5. Minutes Book of the General Meetings under Section 193 of the Act.
6. Register of Contracts under Section 301 of the Act.
7. Register of Charges under Section 143 of the Act.
8. Register of Investments, Loans and Guarantees under Section 372A of the Act.
9. Register of Share Transfer/Transmission.
10. Register of Duplicate Share Certificates.
11. Register of Investments not held in the name of the Company under Section 49 of the Act.

Signature : Sd/-  
Name of the Company Secretary : K.Rajagopalan

Place : Chennai  
Date : April 2, 2009.



**ANNEXURE - B**

Forms and Returns as filed by the Company with the Registrar of Companies during the Financial Year ended on 31st March, 2009

1. Form 1AA filed on 09.04.2008 under Section 5 of the Act. No Delay
2. Return in Form 32 filed on 10.04.2008 under Section 303 of the Act. No Delay.
3. Return in Form 32 filed on 28.04.2008 under Section 303 of the Act. No Delay.
4. Return in Form 32 filed on 02.05.2008 under Section 303 of the Act. No Delay.
5. Balance Sheet and Profit and Loss Account in respect of the Financial year 2007-08 - Forms 23AC and 23ACA uploaded on 09.05.2008 under Section 220 of the Act. No delay.
6. Annual Return made up to 30.04.2008 - Form 20B uploaded on 30.06.2008 under Section 159 of the Act. No delay.
7. Return in Form 32 filed on 09.08.2008 under Section 303 of the Act. No Delay.
8. Return in Form No.8, for modification of a Charge - Registered on 17.09.2008 under Section 135 of the Act. No Delay.

9. Return in Form 32 filed on 13.10.2008 under Section 303 of the Act. No Delay.
10. Return in Form 21 - uploaded on 22.01.2009 under Section 394(1) of the Act. No delay.
11. E Form 61 - Uploaded on 20.03.2009 under Section 192A of the Act read with the relevant Rules.

Forms and Returns as filed by the Company with the Regional Director, Central Government, Company Law Board, or such other authorities during the Financial Year ended 31st March, 2009.

1. Form 23C filed on 03.05.2008 under Section 233B of the Act. No Delay
2. Form 23AAA filed on 20.11.2008 under Section 211(4) of the Act. No Delay

Signature : Sd/-  
Name of the Company Secretary : K.Rajagopalan

Place : Chennai  
Date : April 2, 2009.



## MANAGEMENT ANALYSIS AND DISCUSSION REPORT

### Chlor Alkali Division

#### Industry Structure

The Chlor Alkali Division, belonging to the basic Heavy Chemical Industry, is engaged in the manufacture of Caustic Soda, Chlorine, Hydrogen, Sodium Hypo Chlorate and Hydro Chloric Acid. These products are used in a variety of industries like Aluminium, Textiles, Paper, Soaps, PVC, Water Treatment, Vanaspathi, etc. Being some of the key ingredients for the manufacturing sector, the demand growth of the product is directly linked to the growth in the GDP. The first half of the financial year was quite good for the industry with good demand growth and good realisation on product prices. However, with the slowdown in the economy in the second half, there has been a contraction in the overall demand resulting in lower capacity utilisation in the industry.

#### Opportunities and threats

During the first six months of the year 2008-09, the market was steady and realizations from the sale of Caustic Soda, were buoyant. However, during the second half of the year, owing to the economic slowdown, there was a demand contraction, especially in chlorine/chlorine derivatives, resulting in lower capacity utilisation in the Industry. Because of this, margins were under pressure in the case of Chlorine and Hydrochloric Acid. However, Caustic Soda prices were quite buoyant in line with international pricing trends.

While there was limited intent in creating fresh capacities, some of the ongoing capacity expansions/creations were commissioned during the year resulting in an increase of the overall capacity in the country from 2.68 million TPA in 2007-08 to about 2.80 million TPA in 2008-09.

These additional capacities were built over the last few years on the back of a buoyant demand growth across the spectrum of industries. However, the global slowdown and the consequent domestic demand slowdown had led to a demand/supply mismatch, which is likely to continue creating pricing/margin pressures, apart from restricting capacity utilisation levels. Chlorine surplus in the country will continue to impact capacity utilization levels of the Industry in the Financial Year 2009-10 as well.

During the Financial Year 2008-09, Caustic Soda Lye prices for Indian shores, went up sharply from USD 340-380/MT CIF to USD 500/MT CIF. However, prices were trending back towards USD 340-380/MT CIF in the last quarter of the Financial Year 2008-09. It is expected that for the Financial Year 2009-10, Caustic Soda Lye prices will tend to be lower because of the falling demand in major consuming segments like Alumina and Paper Pulp, due to the global recession.

#### OUTLOOK :

In the backdrop of falling demand and global recession, the Financial Year 2009-10 is expected to be a challenging year. Product prices will be under pressure, impacting the operating margins.

However, your Company has taken proactive steps to face the challenge ahead and is confident of coming through with flying colours.

#### WATER DIVISION:

Water business in the country continues to grow at 10-12% p.a.

Your Company has taken some strategic decisions during the year towards improving the overall profitability of this business and fueling faster growth. Your Company would like to increase its focus in this business, grow faster and also add additional products in future

#### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has well defined and adequate internal controls and procedures, commensurate with its size and nature of its operations. This is further strengthened by the Internal Audit done concurrently.

The Company has also an Audit Committee, comprising Non Executive Directors, to monitor the functioning.

In addition, your Company has introduced ISO 14001 and OSHAS 18001 systems to take care of critical operational areas. Your company also utilizes the services of other professional bodies like Central Leather Research Institute (CLRI) / Tata Energy Research Institute (TERI) / National Environmental Engineering Research Institute (NEERI) and other professional consultants to continuously analyse and upgrade the operations.

#### MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PERSONS EMPLOYED.

During the year under review, the Charter of Demands, of the workmen at the Chlor Alkali division, was amicably settled.

The settlement of the demands of the workers at the Chlorates Division is expected to be completed in due course.

The Company has given direct employment to 235 persons and indirect employment to 726 persons.

#### CAUTIONARY STATEMENT

The Statement in this Report on Management Discussion and Analysis, describing the Company's views may be a forward looking statement within the meaning of the applicable security regulations and laws. These assumptions are based on certain expectations on demand, imports, availability of power rates etc, and any change in Government laws and the economic situation in the country may mark a difference to the Company's operations.

The Company assumes no responsibility in respect of the forward looking statements herein, which may undergo changes in future for reasons beyond the control of the Company.

For and on behalf of the Board of Directors  
Place: Chennai C S RAMESH  
Date : April 2, 2009 DIRECTOR



**STATEMENT OF GENERAL BUSINESS PRINCIPLES OF CHEMFAB ALKALIS LIMITED [CAL]**

The Company's objective is to employ efficiently, responsibly and profitably the resources at its command for furtherance of its business interests. CAL endeavours to achieve high standard of performance and aims to maintain a long term position in the competitive environment.

**CAL's RESPONSIBILITIES**

**To Shareholders**

To protect shareholders' investment and ensure an acceptable and economic return.

**To Customers**

To add and maintain customers by developing and providing products and services which offer value in terms of price, quality, safety and environmental preservation impact fostered by requisite technological, environmental and commercial expertise.

**To Employees**

To provide employees with good and safe conditions of work, and good and competitive terms and conditions of service, to promote the development and best use of human talent and equal opportunity employment, and to encourage the involvement of employees in the planning and direction of their work and in the application of these principles within the Company. It is recognized that commercial success depends on the full commitment of all employees.

**In Business**

To seek mutually beneficial relationships with contractors, suppliers and to promote the application of these principles in so doing. The ability to promote these principles will be an important factor in the decision to enter into or remain in such relationship.

**To Society**

To conduct business as responsible corporate members of society, to observe the law of the country, to give proper regard to health, safety and the environment consistent with the commitments of the Company.

The above areas of responsibility are seen as inseparable.

**ECONOMIC PRINCIPLES**

Profitability is essential to discharging these responsibilities and staying in business. It is a measure both of efficiency and the value that customers place on CAL's products and services. Profit is very essential to augment corporate resources and to support investments required for growth.

Criteria for investment decisions are not exclusively economic in nature but also take into account social and environmental considerations and a critical evaluation of the investment and the return on the same.

**BUSINESS INTEGRITY**

CAL believes and adheres to honesty, integrity and fairness in all aspects of its business and expects the same in their relationship with all those with whom they do business.

**HEALTH, SAFETY AND THE ENVIRONMENT**

Consistent with commitment for environment friendly business, CAL will give utmost priority to health, safety and environmental management in order to achieve continuous performance improvement.

**COMPETITION**

CAL seeks to compete fairly and ethically and within the framework of applicable competition laws.

Place : Chennai

Date : April 2, 2009

C S RAMESH

DIRECTOR

**REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31ST MARCH, 2009****CORPORATE GOVERNANCE****1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

Corporate Governance aims at achieving the long-term viability of the business, keeping in mind the effective relationship with Shareholders and the establishment of the Systems that help the Board in monitoring risks. The fundamental concern of Corporate Governance is to ensure that the Company's Directors and Managers act in the interests of the Company and its various stakeholders. Your Company has been practicing the principles of good Corporate Governance over the years

and has been upholding fair and ethical business and corporate practices and transparency in its dealings, laying emphasis on scrupulous regulatory compliance.

Your Company is fully compliant with the requirements under Clause 49 of the Listing Agreement. Your Company is committed to adhere to the norms of Corporate Governance on a consistent basis for meeting all its obligations towards the stakeholders.

**2. BOARD OF DIRECTORS**

The Board of Directors consists of Six members. The Company is a Board managed Company and has no Managing Director or Whole Time Director or Manager or a Chief Executive Officer.

**A Information on Board of Directors and Attendance**

| Name                                                            | Category                        | Attendance particulars at the |          | Number of other Boards or Board Committees in which a Member or Chairperson |                        |                          |
|-----------------------------------------------------------------|---------------------------------|-------------------------------|----------|-----------------------------------------------------------------------------|------------------------|--------------------------|
|                                                                 |                                 | Board Meetings                | Last AGM | Other Director ships                                                        | Committee Member ships | Committee Chairman ships |
| Dr C H Krishnamurthi Rao                                        | Non Executive Chairman Promoter | 4                             | Present  | 3                                                                           | NIL                    | NIL                      |
| Mr Suresh Rao                                                   | Non Executive Vice Chairman     | 4                             | Present  | 2                                                                           | NIL                    | NIL                      |
| Mr C S Ramesh                                                   | Non Executive                   | 4                             | Present  | 1                                                                           | NIL                    | NIL                      |
| Mr Sharad V Sheth (Resigned w.e.f. 30.04.2008)                  | Non Executive Independent       | No                            | Absent   | NA                                                                          | NA                     | NA                       |
| Dr Muthiah Mariappan (Vacated office at the last AGM)           | Non Executive Independent       | 1                             | Absent   | NA                                                                          | NA                     | NA                       |
| Mr T Ramabhadhran                                               | Non Executive Independent       | 4                             | Present  | 3                                                                           | 1                      | NIL                      |
| Mr Umaid Singh Baid (with effect from April 3,2008)             | Non Executive Independent       | 4                             | Absent   | 1                                                                           | NIL                    | NIL                      |
| Mr J Venkataraman Co-opted as Addl. Director w.e.f. 01.10.2008) | Non Executive Independent       | 1                             | NA       | 4                                                                           | 2                      | NIL                      |



**B Number of Board Meetings held during the year along with the dates of the Meetings:**

During the Financial year 2008-2009, Four Meetings of the Board of Directors were held on:

03.04.2008, 07.07.2008, 01.10.2008, and 05.01.2009. Also, the Directors passed 3 Circular Resolutions on 10.12.2008 (2) and 14.03.2009 (1).

**C. Disclosures regarding Directors' Reappointment**

At the ensuing Annual General Meeting, Dr.C.H.Krishnamurthi Rao, Non-Executive Chairman and Mr.T.Ramabadhran, Non Executive Independent Director, retire by rotation. Brief particulars of these Directors are given below.

i) Dr.C.H.Krishnamurthi Rao, 68, is a Mechanical Engineer from University of Madras. He has also obtained his Doctorate (Ph.D.) on "Technology Management" from the Birla Institute of Technology and Science (BITS), Pilani. He is also a Fellow Member of Institute of Engineers (P.E.F.I.E) and also Fellow of National Academy of Engineering (F.N.A.E). He has 46 years experience in Industry and is a self made entrepreneur. He was President of the Alkali Manufactures Association of India (AIMA) and Ex-Board of Governors in Central Electrochemical Research Institute (CECRI). He has been a successful pioneer in introducing Environmental Friendly and Energy Conservation Technologies like Titanium Metal Anodes, Membrane cell Technology, Sea water Desalination through RO process and he has done extensive research on Membrane application.

Dr.C.H.Krishnamurthi Rao holds Directorship in the following Companies:

- ❖ Titanium Equipment and Anode Manufacturing Company Limited Director
- ❖ Teamco Hitech Engineering Limited Director
- ❖ Dr.Rao Holdings Pte Limited Director

Committee position in Chemfab Alkalis Limited :

Nil

ii. Mr T.Ramabadhran has wide experience in the Engineering & Pharmaceutical Industry and is a Fellow of the Indian Institute of Engineering & a Life Member of the Indian Pharmaceutical Association. He is an Independent Consultant in the Development & Application of Biological Enzymes for use in the treatment of highly polluted Liquid effluents. He has held Top Management positions in various Organizations. He was a Director of Kutch Alumina Coke and Power Limited, President of Biochem Synergy Limited and working in various capacities in Smith Kline Beecham Pharmaceuticals Limited.

Mr.T.Ramabadhran holds Directorship in the following Companies;

- ❖ Titanium Equipment and Anode Manufacturing Company Limited Director
- ❖ V.B.Medicare Private Limited Director
- ❖ Pharmed Medicare Private Limited Director

Committee position in Chemfab Alkalis Limited:

Member, Audit Committee, Corporate Governance Committee and Shareholders Grievances Committee.

iii) Mr.J.Venkataraman, 66 years, is a B.Sc.,(D.M.I.T) Graduate from the Madras Institute of Technology. He has worked as an Instrument Engineer in DCM Group, Taylor Instruments and Sahu Jain Group. He is the Promoter Director of Jaisun & Hutchison Controls Private Limited, which Company executed numerous Instrumentation Projects for the Fertiliser, Power and Petrochemical Sectors throughout India.

Mr.J.Venkataraman holds Directorship in the following Companies:

- ❖ Titanium Equipment and Anode Manufacturing Company Limited Director
- ❖ Teamco Hitech Engineering Limited Director
- ❖ Jaisun & Hutchison controls Pvt. Ltd Director
- ❖ Novatron Broadband Pvt. Ltd Director

Committee position in Chemfab Alkalis Limited:

Member, Audit Committee, Corporate Governance Committee and Shareholders Grievances Committee.

**3. AUDIT COMMITTEE:**

The Audit Committee consists of four Non-Executive Directors, three of them being Independent. The following Directors are the Members of the Audit Committee:

- a. Mr. T.Ramabadhran
- b. Mr. Umaid Singh Baid
- c. Mr. C.S.Ramesh
- d. Mr. J.Venkataraman

Mr.T.Ramabadhran is the Chairman of the Committee. After the resignation of the Company Secretary, Mr.Nitin S Cowlagi, Vice President Finance, has been acting as the Secretary to the Committee.

(i) Terms of Reference:

The broad terms of reference of the Audit Committee are as under:

- a) Periodic review with the Statutory Auditors and Internal Auditors of the Company concerning the financial reports, internal control systems, scope of audit and audit reports of the Statutory and Internal Auditors.
- b) To review compliance with internal control system.
- c) To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board.
- d) To review related party transactions.
- e) Investigate any matters within the audit committee's terms of reference, whenever it deems necessary.
- f) To make recommendation to the Board on any matter relating to the financial management of the Company, including the Audit Report.



g) Recommending the appointment of Statutory Auditors and fixing their remuneration.

h) Review of statutory compliance.

(ii) Meetings and Attendance during the year:

During the year 2008-2009 the Audit Committee Meetings were held on:

03.04.2008, 07.07.2008, 01.10.2008, and 05.01.2009.

Attendance of Directors of the Audit committee Meeting held during the Year.

| Name of the Director | Number of Meetings Held | Number of Meetings Attended |
|----------------------|-------------------------|-----------------------------|
| Mr. T.Ramabadhran    | 4                       | 4                           |
| Mr. Umaid Singh Baid | 4                       | 3                           |
| Mr. C.S.Ramesh       | 4                       | 4                           |
| Mr. J.Venkataraman   | 4                       | 1                           |

#### 4. REMUNERATION COMMITTEE

There was no need to constitute the Remuneration Committee as required under Clause 49 of the Listing Agreement, as the Company is a Board managed one and has no Managing Director or Wholtime Director or Manager or Chief Executive Officer and no Fixed Remuneration is paid to Directors.

#### NON-EXECUTIVE DIRECTORS' COMPENSATION AND DISCLOSURES

The details of payment made to the Non-Executive Directors (with the approval of the Shareholders) during the year are given below.

| Name of the Director        | Sitting Fees      | Commission   | Total        |
|-----------------------------|-------------------|--------------|--------------|
|                             | (Rupees in Lakhs) |              |              |
| 1.Dr. C H Krishnamurthi Rao | 0.00              | 54.66        | 54.66        |
| 2.Mr.Suresh Rao             | 0.20              | 5.00         | 5.20         |
| 3.Mr. C S Ramesh            | 0.20              | 4.00         | 4.20         |
| 4.Mr.T.Ramabadhran          | 0.20              | 0.50         | 0.70         |
| 5.Mr.Umaid Singh Baid       | 0.20              | 0.00         | 0.20         |
| 6.Mr.J.Venkataraman         | 0.05              | 0.00         | 0.05         |
| 7.Dr.Muthiah Mariappan      | 0.05              | 0.00         | 0.05         |
| <b>TOTAL</b>                | <b>0.90</b>       | <b>64.16</b> | <b>65.06</b> |

For the year ended 31st March, 2009 it is proposed to pay a commission of 3% on the Net Profits, amounting to Rs.35,89,432/- to the Directors. This is in accordance with the approval of the Shareholders obtained at the Annual General Meeting held on 10th May, 2006.

#### 5. SHAREHOLDERS/INVESTORS GRIEVANCES COMMITTEE

The Board of Directors have constituted a Shareholders/Investors Grievances Committee consisting of the following Non-Executive Directors.

- Mr.Suresh Rao
- Mr.C.S.Ramesh
- Mr.T.Ramabadhran
- Mr.J.Venkataraman
- Mr.Umaid Singh Baid

Mr.Suresh Rao is the Chairman and after the resignation of the Company Secretary, Mr.Nitin S Cowlagi, Vice President Finance has been acting as the Secretary to the Committee.

During the Financial Year 2008-09, the Committee met on:

03.04.2008, 07.07.2008, 01.10.2008, and 05.01.2009.

During the year 2008-09, 6 letters received from the Shareholders seeking clarifications on Demat, Dividend, Share Split, etc. were responded to.

#### 6. ANNUAL GENERAL MEETINGS:

i.The Details of the last Three Annual General Meetings of the Company are given below.

| Year    | Location          | Date       | Time      | Number of Special Resolutions passed |
|---------|-------------------|------------|-----------|--------------------------------------|
| 2005-06 | Registered Office | 10-05-2006 | 09.00 hrs | Two*                                 |
| 2006-07 | Registered Office | 04-05-2007 | 09.00 hrs | One*                                 |
| 2007-08 | Registered Office | 30-04-2008 | 08.30 hrs | ----                                 |

\*All the Resolutions were passed on a voting by show of hands.

Note:

During the month of March, 2009, the Company had initiated a Postal Ballot Process for obtaining the consent of the Members, through a Special Resolution, for the proposed shifting of the Registered Office from the Union Territory of Puducherry to the State of Tamilnadu. After receiving the consent of the Members, the Company would



be filing a Petition before the Additional Principal Bench, Company Law Board, Chennai, seeking its confirmation of the proposal.

**7. DISCLOSURES:**

a. Related party transactions during the year have been disclosed as required under the Accounting Standard 18. The transactions are not prejudicial to the interests of the Company.

b. No strictures/penalties have been imposed on the Company by the Stock Exchanges or SEBI or any statutory authorities on any matter related to capital market during the last three years.

**c. Accounting Treatment**

In the preparation of the financial statements, the generally accepted accounting principles and policies were followed. All the Mandatory Accounting Standards were followed in the preparation of the financial statements.

**d. Board Disclosures-Risk Management**

The main objective of Risk Management is risk reduction and avoidance. It also helps a Company to identify the risks faced by the business and optimise the risk management strategies. The Company has a defined risk management framework.

**e. Code of Conduct**

The Company has adopted a Code of Conduct for the members of the Board of Directors and the Senior Management personnel of the Company. The said Code of Conduct has been posted on the Website of the Company [www.chemfabalkalis.com](http://www.chemfabalkalis.com).

The Company is a Board managed one and there is no CEO or Managing/Wholetime Director/Manager. The Company Secretary appointed on 25th April, 2008 has resigned from the services of the Company with effect from the 2nd August, 2008. However, the Board of Directors have authorized the CFO, to make a declaration on compliance of code of conduct by all Board members and the senior management personnel.

A Report on the compliance aspect of the code of conduct given by the CFO, authorised by the Board, appears at the end of this Report.

**f. Subsidiary Companies**

The Company has no Subsidiary.

**g. Proceeds from Public Issues, Rights Issues, Preferential Issues etc.**

No money was raised through Public/Rights/ Preferential Issues during the year.

**h. Management disclosures**

Management Discussion and Analysis Report forms part of the Annual Report.

**8. CEO/CFO CERTIFICATION**

The Company is a Board managed one and there is also no CEO. The Directors have authorized the CFO of the Company, to discharge the obligations expected of a CEO under the Corporate Governance Guidelines as stipulated in Clause 49 of the Listing Agreement.

Accordingly, the Board has received the necessary Certificate from the CFO.

**9. MEANS OF COMMUNICATION:**

The quarterly Results are generally published by the Company in News Today and Makkal Kural. Further, the quarterly Results are also generally posted in the Company's Website - [www.chemfabalkalis.com](http://www.chemfabalkalis.com)

**10. GENERAL SHAREHOLDERS' INFORMATION:**

**i. Registered Office:**

'Gnanananda Place'  
Kalapet  
Puducherry 605 014  
Phone : 0413 2655111  
Fax : 0413 2655125  
Email : [chemfabalkalis@draoholdings.com](mailto:chemfabalkalis@draoholdings.com)  
website: [www.chemfabalkalis.com](http://www.chemfabalkalis.com)

**ii. NO. OF ANNUAL GENERAL MEETING: TWENTY SIXTH**

Day : Thursday  
Date : 30th April,2009  
Time : 09.00 AM  
Venue : Registered Office

**iii. TENTATIVE FINANCIAL CALENDAR**

The next Financial Year covers the period from 1st April 2009 to 31st March 2010.

| Particulars                       | Qtr/Year                       | Period                           | Expected date of completion |
|-----------------------------------|--------------------------------|----------------------------------|-----------------------------|
| Financial Results for the         | 1 <sup>st</sup> Quarter ending | 30 <sup>th</sup> June, 2009      | 30.06.2009                  |
|                                   | 2 <sup>nd</sup> Quarter ending | 30 <sup>th</sup> September, 2009 | 30.09.2009                  |
|                                   | 3 <sup>rd</sup> Quarter ending | 31 <sup>st</sup> December, 2009  | 31.12.2009                  |
| Audited Financial Results for the | Year ending                    | 31 <sup>st</sup> March, 2010     | 31.03.2010                  |



iv. **DATE OF BOOK CLOSURE:** 26.04.2009 to 30.04.2009 (both days inclusive)

v. **LISTING OF EQUITY SHARES ON THE STOCK EXCHANGES**

The Company's Shares are listed with following Stock Exchanges

Bombay Stock Exchange Ltd. (BSE)

National Stock Exchange of India Limited (NSE)

The Company has paid Listing Fees to the above Stock Exchanges for 2008-09.

Stock code : 506894 [BSE] CHEMFALKAL [NSE]

DEMAT ISIN Nos. : INE479E01028

vi. **MARKET PRICE DATA**

The High and Low stock quotations during the financial year 2008-09 in BSE and NSE are as under:

| Month          | BSE   |       | NSE   |       |
|----------------|-------|-------|-------|-------|
|                | High  | Low   | High  | Low   |
| April 2008     | 92.50 | 77.00 | 91.40 | 75.10 |
| May 2008       | 85.00 | 74.50 | 84.85 | 71.85 |
| June 2008      | 77.70 | 63.20 | 77.00 | 58.00 |
| July 2008      | 76.50 | 62.00 | 77.10 | 60.70 |
| August 2008    | 80.95 | 62.00 | 74.90 | 64.25 |
| September 2008 | 70.45 | 47.30 | 71.95 | 51.00 |
| October 2008   | 54.70 | 28.25 | 56.60 | 30.00 |
| November 2008  | 37.20 | 25.00 | 37.30 | 24.80 |
| December 2008  | 36.50 | 25.20 | 35.40 | 25.00 |
| January 2009   | 44.00 | 32.30 | 48.65 | 31.00 |
| February 2009  | 39.80 | 31.00 | 40.45 | 31.10 |
| March 2009     | 37.75 | 29.15 | 38.00 | 29.10 |

vii. **REGISTRAR AND SHARE TRANSFER AGENT**

M/s Cameo Corporate Services Ltd, Subramanian Building, 1, Club House Road, Chennai 600 002.

Phone No.044 2846 0390 / 2846 0425 Fax: 044 2846 0129

Email: cameo@cameoindia.com

Website: www.cameoonline.net

viii. **SHARE TRANSFER SYSTEM**

A Committee of the Board approves Share Transfers in the physical form on a fortnightly basis.

ix. (a) **DISTRIBUTION OF SHAREHOLDINGS**

| SHAREHOLDINGS OF NOMINAL VALUE |           | SHAREHOLDERS |               | SHARE AMOUNT       |               |
|--------------------------------|-----------|--------------|---------------|--------------------|---------------|
| Rs.                            | Rs.       | Number       | % TO TOTAL    | Rs.                | % TO TOTAL    |
| 5                              | 5000      | 4518         | 94.2821       | 45,92,060          | 10.0135       |
| 5001                           | 10000     | 140          | 2.9215        | 10,98,475          | 2.3954        |
| 10001                          | 20000     | 68           | 1.4190        | 10,22,895          | 2.2305        |
| 20001                          | 30000     | 28           | 0.5843        | 691,385            | 1.5076        |
| 30001                          | 40000     | 7            | 0.1461        | 245,810            | 0.5361        |
| 40001                          | 50000     | 5            | 0.1044        | 231,375            | 0.5045        |
| 50001                          | 100000    | 11           | 0.2296        | 777,555            | 1.6956        |
| 100001                         | And Above | 15           | 0.3130        | 3,71,98,930        | 81.1168       |
| <b>Total</b>                   |           | <b>4792</b>  | <b>100.00</b> | <b>4,58,58,485</b> | <b>100.00</b> |

(b) **SHAREHOLDING PATTERN**

| Category                  | Equity Shares Nos. | % of Col 2    |
|---------------------------|--------------------|---------------|
| Promoters                 | 6878286            | 74.99         |
| Financial Institutions    | 500                | 0.01          |
| FII                       | 400000             | 4.36          |
| Trust                     | 200                | 0.00          |
| Clearing Members          | 1436               | 0.02          |
| Mutual Fund /UTI          | 9100               | 0.10          |
| Bodies Corporate          | 175097             | 1.91          |
| NRI and Foreign Nationals | 232415             | 2.53          |
| Public                    | 1474663            | 16.08         |
| <b>Total</b>              | <b>9171697</b>     | <b>100.00</b> |

x. **DEMATERIALISATION OF SHARES:**

The Company has appointed M/s Cameo Corporate Services Ltd., as the Registrars of the Company for establishing connectivity with NSDL and CDSL to facilitate Dematerialisation of the Shares held by the Members.

As of date, 79.76% have been dematerialised.

xi. **OUTSTANDING GDR/ADR WARRANTS OR CONVERTIBLE BONDS**

The Company has not issued any of the securities mentioned above.

xii. **PLANT LOCATION**

- Chlor Alkali Division at 'Gnanananda Place', Kalapet, Puducherry 605 014.

- Chlorates Division at Abishekapakkam, Poornakuppam P O, Puducherry 605 007.

- Salt Division at Kanthadu Village, Marakanam Post, Villupuram District.



chemfab alkalis limited

-Membrane Hitec Division at 'Team House',  
GST Road, Vandalur,  
Chennai-600 048.

-Health Products Division at 'Team House',  
GST Road, Vandalur,  
Chennai-600 048.

**xiii. ADDRESS FOR CORRESPONDENCE**

The Vice President-Finance Phone: 0413 2655111

Chemfab Alkalis Limited Fax : 0413 2655125

'Gnanananda Place', Kalapet,  
Puducherry 605 014.

Email : chemfabalkalis@draaholdings.com

website: www.chemfabalkalis.com

For CHEMFAB ALKALIS LIMITED

Place : Chennai

Dated : April 2, 2009

C S RAMESH

DIRECTOR

**Declaration**

As stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct.

Nitin S.Cowlagi  
Vice President (Finance)

Place : Chennai  
Dated : April 2, 2009



### AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

#### To the Members of Chemfab Alkalis Limited

We have examined the compliance of conditions of corporate governance of Chemfab Alkalis Limited, for the year ended 31st March, 2009, 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 has been limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said clause. 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 the explanations given to us by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that no investor grievance is pending against the Company as at 31<sup>st</sup> March, 2009, as per the records maintained by the Shareholders/ Investors Grievance committee.

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

For Deloitte Haskins & Sells  
Chartered Accountants  
Bhavani Balasubramanian  
Partner  
Membership No. 22156

Place : Chennai  
Date : April 2, 2009

### AUDITORS' REPORT TO THE MEMBERS OF CHEMFAB ALKALIS LIMITED

We have audited the attached balance sheet of Chemfab Alkalis Limited (the "Company") as at 31st March, 2009, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
- (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date;



- (vi) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2009;
- (b) in the case of the profit and loss account, of the profit of the Company 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.

Place : Chennai  
Date : April 2, 2009

For Deloitte Haskins & Sells  
Chartered Accountants  
Bhavani Balasubramanian  
Partner  
Membership No. 22156

#### **Annexure to the Auditors' Report**

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

1. In respect of its fixed assets:
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) Some of the fixed assets were physically verified during the year by the management in accordance with a program of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
  - c) The fixed assets disposed of during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has in our opinion, not affected the going concern status of the Company.
2. In respect of its inventories
  - a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
  - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
3.
  - a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
  - b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services and we have not observed any continuing failure to correct major weaknesses in such internal controls.



5. In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered into the register, maintained under the said section have so been entered.
  - (b) In our opinion and according to the explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year are not capable of being compared as they are proprietary in nature.
6. The Company has not accepted any deposits from the public during the year.
7. In our opinion, the internal audit carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and nature of its business.
8. We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of Caustic Soda Lye, pursuant to the order made by the Central Government for the 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 made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete, as the examination of records are to be made by a Cost Auditor. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
9. In respect of Statutory dues
  - a) According to the information and explanations given to us, the Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income- tax, Sales-tax, Value Added Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other material statutory dues with the appropriate authorities during the year.
  - b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Value Added Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other material statutory dues as at 31st March, 2009, for a period of more than six months from the date they became payable.
  - c) According to the information and explanations given to us, there are no dues of Income-tax, Sales-tax, Value Added Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and cess which have not been deposited as on 31st March, 2009, with the appropriate authorities on account of disputes, except for dues referred to in Note No. II 4 (d) of Schedule 18 to the financial statements.
10. The Company has no accumulated losses as at 31st March, 2009 and has not incurred any cash losses either during the financial year covered by our audit or the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the payment of dues to banks. There are no borrowings from financial institutions or by issue of debentures.
12. Based on our examination of documents and records, we are of the opinion that the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
13. The Company is not a chit fund or nidhi/ mutual benefit fund/society.
14. In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities and debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. The Company has not raised any term loans during the year.
17. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short term basis have *prima facie*, not been used during the year for long term investment.
18. The Company has not made any preferential allotment of shares to parties and companies



*chemfab alkalis limited*

covered in the register maintained under Section 301 of the Companies Act, 1956.

19. The Company has not issued any debentures during the year.
20. The Company has not raised money through public issues during the year.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For Deloitte Haskins & Sells  
Chartered Accountants  
Bhavani Balasubramanian  
Partner  
Membership No. 22156

Place : Chennai  
Date : April 2, 2009



**BALANCE SHEET AS AT 31st MARCH 2009**

| Particulars                                     | SCHEDULE NO | As At<br>31-March-2009<br>Rupees | As At<br>31-March-2008<br>Rupees |
|-------------------------------------------------|-------------|----------------------------------|----------------------------------|
| <b>I SOURCES OF FUNDS</b>                       |             |                                  |                                  |
| <b>1. Shareholders' funds</b>                   |             |                                  |                                  |
| Share Capital                                   | 1           | 4,58,58,485                      | 4,58,58,485                      |
| Reserves and Surplus                            | 2           | 64,26,49,207                     | 56,42,47,499                     |
| <b>2. Loan Funds</b>                            |             |                                  |                                  |
| Secured loans                                   | 3           | 4,40,47,091                      | 11,44,09,416                     |
| <b>3. Deferred Tax Liability (Net)</b>          |             | 17,26,92,298                     | 15,94,91,096                     |
| <b>TOTAL</b>                                    |             | <b>90,52,47,081</b>              | <b>88,40,06,496</b>              |
| <b>II. APPLICATION OF FUNDS</b>                 |             |                                  |                                  |
| <b>1. Fixed Assets</b>                          | 4           |                                  |                                  |
| Gross Block                                     |             | 157,15,35,677                    | 138,33,46,002                    |
| Less: Accumulated Depreciation                  |             | 72,98,02,016                     | 63,97,16,081                     |
| <b>Net Block</b>                                |             | <b>84,17,33,661</b>              | 74,36,29,921                     |
| Capital Work-in -Progress including advances    |             | 1,12,93,642                      | 3,56,52,314                      |
|                                                 |             | <b>85,30,27,303</b>              | 77,92,82,235                     |
| <b>2. Investments</b>                           | 5           | <b>56,11,199</b>                 | 1,58,19,660                      |
| <b>3. Current Assets, Loans and Advances</b>    |             |                                  |                                  |
| Inventories                                     | 6           | 4,60,53,365                      | 5,36,44,366                      |
| Sundry Debtors                                  | 7           | 9,59,71,642                      | 9,92,59,411                      |
| Cash and Bank Balances                          | 8           | 2,14,19,128                      | 4,89,14,902                      |
| Loans and Advances                              | 9           | 5,63,35,447                      | 3,95,49,702                      |
|                                                 |             | <b>21,97,79,582</b>              | 24,13,68,381                     |
| <b>Less: Current Liabilities and Provisions</b> |             |                                  |                                  |
| Liabilities                                     | 10          | 16,81,81,003                     | 13,67,91,902                     |
| Provisions                                      | 11          | 49,90,000                        | 1,56,71,878                      |
|                                                 |             | <b>17,31,71,003</b>              | 15,24,63,780                     |
| <b>Net Current Assets</b>                       |             | <b>4,66,08,579</b>               | 8,89,04,601                      |
| <b>TOTAL</b>                                    |             | <b>90,52,47,081</b>              | <b>88,40,06,496</b>              |
| Accounting Policies and Notes on Accounts       | 18          |                                  |                                  |

This is the Balance sheet referred to in our report of even date

for and on behalf of the Board of Directors

**For Deloitte Haskins & Sells**  
Chartered Accountants

**C S Ramesh**  
Director

**Dr C H Krishnamurthi Rao**  
Chairman

**Bhavani Balasubramanian**  
Partner

**Nitin S Cowlagi**  
Vice President - Finance

Place : Chennai  
Date : April 2, 2009

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2009**

| <b>Particulars</b>                                                       | <b>SCHEDULE NO</b> | <b>Year Ended<br/>31-March-2009<br/>Rupees</b> | <b>Year Ended<br/>31-March-2008<br/>Rupees</b> |
|--------------------------------------------------------------------------|--------------------|------------------------------------------------|------------------------------------------------|
| <b>INCOME</b>                                                            |                    |                                                |                                                |
| Gross Sales                                                              |                    | 99,93,64,723                                   | 115,24,05,989                                  |
| Less: Excise Duty                                                        |                    | 10,03,60,845                                   | 14,79,92,050                                   |
| <b>Net Sales</b>                                                         |                    | <b>89,90,03,878</b>                            | 100,44,13,939                                  |
| Other Income                                                             | <b>12</b>          | 2,46,74,395                                    | 2,21,18,648                                    |
| <b>Total Income</b>                                                      |                    | <b>92,36,78,273</b>                            | 102,65,32,587                                  |
| <b>EXPENDITURE</b>                                                       |                    |                                                |                                                |
| Materials                                                                | <b>13</b>          | 11,46,22,418                                   | 11,56,22,500                                   |
| Other Direct Manufacturing Expenses                                      | <b>14</b>          | 32,53,20,285                                   | 37,62,31,361                                   |
| Employees Costs                                                          | <b>15</b>          | 8,07,81,188                                    | 7,37,39,145                                    |
| Other Expenses                                                           | <b>16</b>          | 18,27,95,866                                   | 16,69,21,146                                   |
| Interest / Finance Charges                                               | <b>17</b>          | 88,35,816                                      | 1,34,80,297                                    |
| Depreciation                                                             |                    | 9,16,74,975                                    | 6,66,82,515                                    |
| <b>Total Expenditure</b>                                                 |                    | <b>80,40,30,548</b>                            | 81,26,76,964                                   |
| <b>Net Profit before Tax</b>                                             |                    | <b>11,96,47,725</b>                            | 21,38,55,623                                   |
| <b>Less : Provision for Tax</b>                                          |                    |                                                |                                                |
| - Current Tax                                                            |                    | 2,71,63,863                                    | 6,67,49,035                                    |
| - Deferred Tax                                                           |                    | 1,32,01,202                                    | 58,70,650                                      |
| - Fringe Benefit Tax                                                     |                    | 8,80,952                                       | 7,04,578                                       |
| <b>Net Profit after Tax</b>                                              |                    | <b>7,84,01,708</b>                             | 14,05,31,360                                   |
| Add: Balance carried from Previous Year                                  |                    | 38,43,86,638                                   | 24,38,55,278                                   |
| <b>Balance Carried to Balance sheet</b>                                  |                    | <b>46,27,88,346</b>                            | 38,43,86,638                                   |
| <b>Basic and Diluted Earnings per Share</b> (Face value of Rs. 5/- each) |                    | <b>8.55</b>                                    | 15.32                                          |
| Accounting Policies and Notes on Accounts                                | <b>18</b>          |                                                |                                                |

This is the Profit and Loss account referred to in our report of even date

for and on behalf of the Board of Directors

**For Deloitte Haskins & Sells**  
Chartered Accountants

**C S Ramesh**  
Director

**Dr C H Krishnamurthi Rao**  
Chairman

**Bhavani Balasubramanian**  
Partner

**Nitin S Cowlagi**  
Vice President -Finance

Place : Chennai  
Date : April 2, 2009



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009**

| Particulars                                                                                  | Year Ended<br>31-March-09<br>Rupees | Year Ended<br>31-March-08<br>Rupees |
|----------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| <b>A. Cash flow from Operating Activities</b>                                                |                                     |                                     |
| <b>Net Profit Before Tax</b>                                                                 | <b>11,96,47,725</b>                 | <b>21,38,55,623</b>                 |
| <b>Adjustment for:</b>                                                                       |                                     |                                     |
| Depreciation                                                                                 | 9,16,74,975                         | 6,66,82,515                         |
| Interest / Finance Charges                                                                   | 88,35,816                           | 1,34,80,297                         |
| Interest Income                                                                              | (22,04,751)                         | (12,62,969)                         |
| Dividend Income                                                                              | (8,12,309)                          | (10,02,289)                         |
| Bad debts written off                                                                        | 4,76,057                            | 8,45,317                            |
| Provision for doubtful debts                                                                 | -                                   | 1,07,307                            |
| Inventories written off                                                                      | 57,40,862                           | -                                   |
| Profit on Sale of Investments                                                                | -                                   | (39,39,661)                         |
| Loss / (Profit) on Sale of Fixed Assets (Net)                                                | 6,31,087                            | (16,85,486)                         |
| Unrealised Exchange Variation (Net)                                                          | 25,23,795                           | 3,60,400                            |
| <b>Operating Profit before Working Capital changes</b>                                       | <b>22,65,13,257</b>                 | <b>28,74,41,054</b>                 |
| Decrease in Sundry Debtors                                                                   | 19,98,718                           | 92,67,851                           |
| (Increase) in Other Receivables                                                              | (81,86,834)                         | (6,95,000)                          |
| Decrease / (Increase) in Inventories                                                         | 18,50,139                           | (85,40,990)                         |
| (Decrease) / Increase in Trade Creditors and Other Payables                                  | (1,02,73,119)                       | 22,47,688                           |
| <b>Changes in Working Capital</b>                                                            | <b>(1,46,11,096)</b>                | <b>22,79,549</b>                    |
| <b>Cash generated from Operations</b>                                                        | <b>21,19,02,161</b>                 | <b>28,97,20,603</b>                 |
| Taxes Paid (Advance Tax and Fringe Benefit Tax) net of refund                                | (4,38,21,756)                       | (6,06,01,650)                       |
| <b>Net Cash generated from Operating Activities</b>                                          | <b>16,80,80,405</b>                 | <b>22,91,18,953</b>                 |
| <b>B. Cash flow from Investing Activities</b>                                                |                                     |                                     |
| Purchase of Fixed Assets                                                                     | (13,04,04,518)                      | (12,06,50,960)                      |
| Proceeds from Sale of Fixed Assets                                                           | 24,84,631                           | 32,65,000                           |
| Sale / (Purchase) of Short Term Investments, Net                                             | 1,09,00,000                         | (1,05,00,000)                       |
| Proceeds from Sales of Long Term Investments                                                 | -                                   | 43,08,802                           |
| Dividend Received*                                                                           | 1,20,770                            | 87,000                              |
| Interest Received                                                                            | 8,82,085                            | 11,39,245                           |
| <small>*Net of an amount of Rs.6,91,539 being dividend from Mutual fund, reinvested.</small> |                                     |                                     |
| <b>Net Cash (used in) Investing Activities</b>                                               | <b>(11,60,17,032)</b>               | <b>(12,23,50,913)</b>               |
| <b>C. Cash flow from Financing Activities</b>                                                |                                     |                                     |
| Interest Paid to Financial Institutions                                                      | (91,66,698)                         | (1,41,50,959)                       |
| Unclaimed Dividend, Dividend Paid / remitted, including Dividend Tax                         | (30,124)                            | 4,85,014                            |
| Repayment of Term Loan                                                                       | (7,03,62,325)                       | (7,45,35,947)                       |
| <b>Net Cash (used in) Financing Activities</b>                                               | <b>(7,95,59,147)</b>                | <b>(8,82,01,892)</b>                |
| <b>D. Net (Decrease) / Increase in Cash &amp; Cash Equivalents</b>                           | <b>(2,74,95,774)</b>                | <b>1,85,66,148</b>                  |
| <b>E. Cash &amp; Cash Equivalents (Opening)</b>                                              | <b>4,89,14,902</b>                  | <b>3,03,48,754</b>                  |
| <b>F. Cash &amp; Cash Equivalents (Closing)</b>                                              | <b>2,14,19,128</b>                  | <b>4,89,14,902</b>                  |

This is the Cash Flow Statement referred to in our report of even date

for and on behalf of the Board of Directors

**For Deloitte Haskins & Sells**  
**Chartered Accountants**

**C S Ramesh**  
**Director**

**Dr C H Krishnamurthi Rao**  
**Chairman**

**Bhavani Balasubramanian**  
**Partner**

**Nitin S Cowlagi**  
**Vice President -Finance**

**Place : Chennai**  
**Date : April 2, 2009**



Schedules forming part of Balance Sheet as at 31st March 2009

| <b>SCHEDULE 1</b>                                                              |                                           |                                           |
|--------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| <b>Share Capital</b>                                                           |                                           |                                           |
| <b>PARTICULARS</b>                                                             | <b>As at<br/>31-March-2009<br/>Rupees</b> | <b>As at<br/>31-March-2008<br/>Rupees</b> |
| <b>AUTHORISED</b>                                                              |                                           |                                           |
| 3,20,00,000 (3,20,00,000) Equity Shares of Rs.5/- each                         | 16,00,00,000                              | 16,00,00,000                              |
| 51,00,000 (51,00,000) Equity Shares of Rs.10/- each                            | <u>5,10,00,000</u>                        | <u>5,10,00,000</u>                        |
|                                                                                | <b>21,10,00,000</b>                       | 21,10,00,000                              |
| 4,000 (4,000 ) 11% Redeemable Cumulative<br>Preference Shares of Rs 100/- each | <u>4,00,000</u>                           | <u>4,00,000</u>                           |
|                                                                                | <b><u>21,14,00,000</u></b>                | <b><u>21,14,00,000</u></b>                |
| <b>ISSUED SUBSCRIBED AND PAID-UP</b>                                           |                                           |                                           |
| 91,71,697 (91,71,697) Equity Shares of Rs.5/- each                             | 4,58,58,485                               | 4,58,58,485                               |
| <b>Total</b>                                                                   | <b>4,58,58,485</b>                        | 4,58,58,485                               |

Of the above shares :

- 10,60,000 shares of Rs. 5/- each were allotted as fully paid up for consideration other than cash to erstwhile share holders of M/s Chemfab Chlorates Ltd in the year 2000-01, pursuant to a scheme of amalgamation approved by The High Court of Madras vide its order dated 26-07-2001.

- 22,31,697 shares of Rs.5/- each ( net of 12,43,948 shares of Rs.5/- each earlier held by erstwhile M/s Membrane Technologies Ltd in the company , which was subsequently cancelled on amalgamation ) are allotted as fully paid up for consideration other than cash to other share holders of erstwhile M/s. Membrane Technologies Limited , in accordance with the scheme of amalgamation approved by The High Court of Madras vide its order dated 08-03-2006.



| <b>SCHEDULE 2<br/>Reserves and Surplus</b>                                                      |                                           |                                           |
|-------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| <b>PARTICULARS</b>                                                                              | <b>As at<br/>31-March-2009<br/>Rupees</b> | <b>As at<br/>31-March-2008<br/>Rupees</b> |
| <b>CAPITAL RESERVE</b>                                                                          |                                           |                                           |
| Central Subsidy received from the District Industries Center,<br>Union Territory of Puducherry  | 25,00,000                                 | 25,00,000                                 |
| Transfer from erstwhile Membrane Technologies Limited pursuant<br>to the scheme of amalgamation | 14,00,000                                 | 14,00,000                                 |
| Profit on Re-issue of Shares                                                                    | 1,66,650                                  | 1,66,650                                  |
|                                                                                                 | <b>40,66,650</b>                          | <b>40,66,650</b>                          |
| <b>Capital Redemption Reserve</b>                                                               | <b>6,000</b>                              | <b>6,000</b>                              |
| <b>General Reserve</b>                                                                          | 17,57,88,211                              | 17,57,88,211                              |
| <b>Surplus in Profit and Loss Account</b>                                                       | <b>46,27,88,346</b>                       | <b>38,43,86,638</b>                       |
|                                                                                                 | <b>64,26,49,207</b>                       | <b>56,42,47,499</b>                       |
| <b>Total</b>                                                                                    |                                           |                                           |



| <b>SCHEDULE 3</b><br><b>Secured Loans</b>                                                                                                                                                                                                                                           |                                           |                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| <b>PARTICULARS</b>                                                                                                                                                                                                                                                                  | <b>As at<br/>31-March-2009<br/>Rupees</b> | <b>As at<br/>31-March-2008<br/>Rupees</b> |
| <b>Rupee Term Loans From Banks</b>                                                                                                                                                                                                                                                  |                                           |                                           |
| - Axis Bank Limited                                                                                                                                                                                                                                                                 | -                                         | 1,83,32,625                               |
| - State Bank of India                                                                                                                                                                                                                                                               | 4,40,47,091                               | 9,60,76,791                               |
| Amounts repayable within one year-Rs. 3,10,09,121<br>(P.Y Rs. 7,20,33,322)                                                                                                                                                                                                          |                                           |                                           |
| Cash Credit facility from State Bank of India                                                                                                                                                                                                                                       | -                                         | -                                         |
| <b>Total</b>                                                                                                                                                                                                                                                                        | <b>4,40,47,091</b>                        | <b>11,44,09,416</b>                       |
| <b>NOTES:</b>                                                                                                                                                                                                                                                                       |                                           |                                           |
| <b>Term Loans:</b>                                                                                                                                                                                                                                                                  |                                           |                                           |
| Term Loans from State Bank of India, Chennai are secured by first charge on fixed assets of the Company; all current assets, present and future, and by equitable mortgage of factory land and building of Chlorates Division.                                                      |                                           |                                           |
| Term Loan from Axis Bank Limited, Chennai is secured by an exclusive charge on fixed assets of the Company financed by them. The loan has been fully repaid during the year and the Company is in the process of completing the formalities relating to the satisfaction of charge. |                                           |                                           |
| <b>Cash Credit facilities:</b>                                                                                                                                                                                                                                                      |                                           |                                           |
| Cash Credit facilities with State Bank of India, are secured by:                                                                                                                                                                                                                    |                                           |                                           |
| - exclusive first charge on all current assets of the Company;                                                                                                                                                                                                                      |                                           |                                           |
| - exclusive first equitable mortgage of factory land and building;                                                                                                                                                                                                                  |                                           |                                           |
| - second charge on the fixed assets of the Company;                                                                                                                                                                                                                                 |                                           |                                           |
| - pledge of other machinery / fixed assets of Chlorates Division, and other assets of the Company.                                                                                                                                                                                  |                                           |                                           |



**SCHEDULE 4**  
**Fixed Assets**

Rupees

| Particulars                                    | Gross Block            |                                 |                                 | Depreciation           |                        |                    | Net Block                       |                        |                        |
|------------------------------------------------|------------------------|---------------------------------|---------------------------------|------------------------|------------------------|--------------------|---------------------------------|------------------------|------------------------|
|                                                | As at<br>01-April-2008 | Additions<br>during the<br>Year | Deletions<br>during<br>the Year | As at<br>31-March-2009 | As at<br>01-April-2008 | For the<br>Year    | Deletions<br>during<br>the Year | As at<br>31-March-2009 | As at<br>31-March-2008 |
| <b>Tangible Assets</b>                         |                        |                                 |                                 |                        |                        |                    |                                 |                        |                        |
| Land and Development                           | 3,03,16,875            | -                               | -                               | 3,03,16,875            | -                      | -                  | -                               | 3,03,16,875            | 3,03,16,875            |
| Road and Buildings                             | 7,51,51,099            | 2,00,83,327                     | -                               | 9,52,34,426            | 2,02,07,066            | 30,12,786          | -                               | 7,20,14,574            | 5,49,44,033            |
| Plant and Machinery                            | 124,92,92,734          | 17,22,92,701                    | 8,34,052                        | 142,07,51,383          | 60,66,82,437           | 8,63,92,428        | 1,36,165                        | 69,29,38,700           | 64,26,10,297           |
| Furniture and Fixtures                         | 1,05,95,180            | 2,93,299                        | -                               | 1,08,88,479            | 52,15,630              | 10,30,503          | -                               | 62,46,133              | 53,79,550              |
| Vehicles                                       | 1,39,73,105            | 2,25,106                        | 38,70,706                       | 1,03,27,505            | 45,16,888              | 3,16,309           | 14,52,875                       | 33,80,322              | 94,56,217              |
| <b>Intangible Assets</b>                       |                        |                                 |                                 |                        |                        |                    |                                 |                        |                        |
| Technical Know How                             | 40,17,009              | -                               | -                               | 40,17,009              | 30,94,060              | 9,22,949           | -                               | 40,17,009              | 9,22,949               |
|                                                | <b>138,33,46,002</b>   | <b>19,28,94,433</b>             | <b>47,04,758</b>                | <b>157,15,35,677</b>   | <b>63,97,16,081</b>    | <b>9,16,74,975</b> | <b>15,89,040</b>                | <b>84,17,33,661</b>    | <b>74,36,29,921</b>    |
| Capital Work in Progress<br>including advances | -                      | -                               | -                               | -                      | -                      | -                  | -                               | 1,12,93,642            | 3,56,52,314            |
|                                                | 138,33,46,002          | 19,28,94,433                    | 47,04,758                       | 157,15,35,677          | 63,97,16,081           | 9,16,74,975        | 15,89,040                       | 85,30,27,303           | 77,92,82,235           |
| Previous year                                  | 130,33,03,462          | 8,89,43,680                     | 89,01,140                       | 138,33,46,002          | 58,03,54,972           | 6,66,82,515        | 73,21,406                       | 77,92,82,235           | 72,94,52,691           |



| <b>SCHEDULE 5</b>                                                                           |                                           |                                           |
|---------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| <b>Investments</b>                                                                          |                                           |                                           |
| <b>PARTICULARS</b>                                                                          | <b>As at<br/>31-March-2009<br/>Rupees</b> | <b>As at<br/>31-March-2008<br/>Rupees</b> |
| <b>A. Long Term:</b>                                                                        |                                           |                                           |
| <b>In Government Securities</b>                                                             |                                           |                                           |
| - National Savings Certificate                                                              | 1,000                                     | 1,000                                     |
| <b>Non trade -<br/>Quoted</b>                                                               |                                           |                                           |
| 4,500 Equity Shares of Rs.10/- each of<br>K.E.C.International Ltd.                          | 19,000                                    | 19,000                                    |
| 4,500 Equity Shares of Rs.10/- each of<br>Summit Securities Ltd. *                          | 20,700                                    | 20,700                                    |
| 250 Equity Shares of Rs.10/- each of Global Boards Ltd.                                     | 15,000                                    | 15,000                                    |
| 500 Equity Shares of Rs.10/- each of M/s. De Nora India Ltd. **                             | 6,850                                     | 6,850                                     |
| 600 Equity Shares of Rs.10/- each of M/s.Sree<br>Rayalaseema Alkalis & Allied Chemicals Ltd | 2,190                                     | 2,190                                     |
| 1,050 Equity Share of Rs.10/- each of M/s. Reliance<br>Industries Ltd.                      | 67,800                                    | 67,800                                    |
| 52 Equity Shares of Rs.10/- each of M/s. Reliance<br>Capital Ltd.                           | 1,690                                     | 1,690                                     |
| 1,050 Equity Shares of Rs.5/- each of M/s. Reliance<br>Communications Ltd.                  | 50,310                                    | 50,310                                    |
| 78 Equity Shares of Rs.10/- each of M/s. Reliance<br>Infrastructure Ltd. ***                | 9,490                                     | 9,490                                     |
| 1,050 Equity Shares of Rs.5/- each of M/s. Reliance<br>Natural Resources Ltd.               | 910                                       | 910                                       |
| 450 Equity Shares of Rs.5/- (Rs. 10/-) each of M/s. Kanoria<br>Chemicals Ltd.               | 2,408                                     | 2,408                                     |
| 50 Equity Shares of Rs.10/- each of M/s. MRF Ltd                                            | 1,10,000                                  | 1,10,000                                  |
| 2,500 Equity Shares of Rs.10/- each of M/s. India<br>Cements Capital Ltd.                   | 19,950                                    | 19,950                                    |
| 14,240 Equity Shares of Rs.10/- each of<br>Industrial Development Bank of India Ltd.        | 11,57,000                                 | 11,57,000                                 |
| 12,500 Equity Shares of Rs.2/- (Rs.10/-) each of<br>Divi's Laboratories Ltd.                | 1,50,000                                  | 1,50,000                                  |
| 360 Equity Shares of Rs.10/- each of Octav Investments Ltd.                                 | 2,400                                     | 2,400                                     |



| <b>SCHEDULE 5</b>                                                                                                        |                                           |                                           |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| <b>Investments</b>                                                                                                       |                                           |                                           |
| <b>PARTICULARS</b>                                                                                                       | <b>As at<br/>31-March-2009<br/>Rupees</b> | <b>As at<br/>31-March-2008<br/>Rupees</b> |
| <b>B. Short Term:</b>                                                                                                    |                                           |                                           |
| Non trade investments -Quoted (Fully Paid up)                                                                            |                                           |                                           |
| 2,54,372 (14,13,908) units of SBI Magnum -<br>Institutional Income- Savings- Dividend ****                               | 39,74,501                                 | 1,41,82,962                               |
| <b>Total</b>                                                                                                             | <b>56,11,199</b>                          | 1,58,19,660                               |
| Aggregate cost of quoted investments                                                                                     | <b>16,35,698</b>                          | 16,35,698                                 |
| Aggregate market value of quoted investments                                                                             | <b>1,50,77,904</b>                        | 2,47,64,000                               |
| Aggregate amount of investments in units of Mutual funds                                                                 |                                           |                                           |
| - Cost                                                                                                                   | <b>39,74,501</b>                          | 1,41,82,962                               |
| - Net Asset Value                                                                                                        | <b>39,74,501</b>                          | 1,41,82,962                               |
| <br>                                                                                                                     |                                           |                                           |
| * - Formerly known as KEC Infrastructure Limited                                                                         |                                           |                                           |
| ** - Formerly known as Titanor Components Limited                                                                        |                                           |                                           |
| *** - Formerly known as Reliance Energy Limited                                                                          |                                           |                                           |
| **** - During the year ended 31st March 2009,<br>1,49,97,321 units were purchased and 1,61,56,857<br>units were redeemed |                                           |                                           |



| <b>SCHEDULE 6</b>                                                 |                                           |                                           |
|-------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| <b>Inventories</b>                                                |                                           |                                           |
| <b>PARTICULARS</b>                                                | <b>As at<br/>31-March-2009<br/>Rupees</b> | <b>As at<br/>31-March-2008<br/>Rupees</b> |
| <b>Inventories</b><br>(at lower of cost and net realisable value) |                                           |                                           |
| Stores and Spares                                                 | 1,77,35,173                               | 2,13,19,217                               |
| Raw Materials and Chemicals                                       | 82,59,969                                 | 55,99,237                                 |
| Fuel                                                              | 4,87,553                                  | 3,50,961                                  |
| Work-in-Progress                                                  | 14,68,274                                 | 11,14,587                                 |
| Finished Goods                                                    | 1,66,23,750                               | 226,22,228                                |
| Packing Materials and others                                      | 72,543                                    | 30,143                                    |
| Goods in Transit                                                  | 14,06,103                                 | 26,07,993                                 |
| <b>Total</b>                                                      | <b>4,60,53,365</b>                        | 5,36,44,366                               |
| <b>SCHEDULE 7</b>                                                 |                                           |                                           |
| <b>Sundry Debtors</b>                                             |                                           |                                           |
| <b>PARTICULARS</b>                                                | <b>As at<br/>31-March-2009<br/>Rupees</b> | <b>As at<br/>31-March-2008<br/>Rupees</b> |
| <b>Sundry Debtors (Unsecured)</b>                                 |                                           |                                           |
| Over Six Months                                                   |                                           |                                           |
| Considered good                                                   | 11,29,167                                 | 10,33,237                                 |
| Considered Doubtful                                               | -                                         | 1,07,307                                  |
|                                                                   | 11,29,167                                 | 11,40,544                                 |
| Other debts - Considered good                                     | 9,48,42,475                               | 9,82,26,174                               |
|                                                                   | <b>9,59,71,642</b>                        | 9,93,66,718                               |
| Less : Provision for Doubtful Debts                               | -                                         | 1,07,307                                  |
| <b>TOTAL</b>                                                      | <b>9,59,71,642</b>                        | 9,92,59,411                               |



| <b>SCHEDULE 8</b><br><b>Cash &amp; Bank Balances</b>                                                                    |                                           |                                           |
|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| <b>PARTICULARS</b>                                                                                                      | <b>As at<br/>31-March-2009<br/>Rupees</b> | <b>As at<br/>31-March-2008<br/>Rupees</b> |
| a) Cash on hand                                                                                                         | 1,33,797                                  | 1,69,903                                  |
| b) Balance with Scheduled Banks                                                                                         |                                           |                                           |
| On Current Accounts                                                                                                     | 61,73,695                                 | 3,75,30,042                               |
| On Fixed Deposit Accounts                                                                                               | 1,80,236                                  | 1,76,742                                  |
| On Margin Money Accounts *                                                                                              | 1,31,23,748                               | 92,00,439                                 |
| On Unpaid Dividend Accounts                                                                                             | 18,07,652                                 | 18,37,776                                 |
| <b>Total</b>                                                                                                            | <b>2,14,19,128</b>                        | 4,89,14,902                               |
| * For bank guarantees and letters of credit                                                                             |                                           |                                           |
| <b>SCHEDULE 9</b><br><b>LOANS AND ADVANCES</b>                                                                          |                                           |                                           |
| <b>PARTICULARS</b>                                                                                                      | <b>As at<br/>31-March-2009<br/>Rupees</b> | <b>As at<br/>31-March-2008<br/>Rupees</b> |
| <b>LOANS AND ADVANCES</b><br>(Unsecured, considered good)                                                               |                                           |                                           |
| a) Advances recoverable in cash or in kind or for value to be received                                                  | 1,46,50,112                               | 80,16,699                                 |
| b) Deposits                                                                                                             | 1,48,07,669                               | 1,46,02,605                               |
| c) Balance with Central Excise Authorities                                                                              | 1,93,05,110                               | 1,69,30,398                               |
| d) Advance Income Tax and Tax deducted at Source<br>(Net of Provision for Tax : Rs.25,76,11,220 Previous Year : Rs.Nil) | 75,72,556                                 | -                                         |
| <b>Total</b>                                                                                                            | <b>5,63,35,447</b>                        | 3,95,49,702                               |
| <b>SCHEDULE 10</b><br><b>CURRENT LIABILITIES</b>                                                                        |                                           |                                           |
| <b>PARTICULARS</b>                                                                                                      | <b>As at<br/>31-March-2009<br/>Rupees</b> | <b>As at<br/>31-March-2008<br/>Rupees</b> |
| a) Sundry Creditors                                                                                                     |                                           |                                           |
| -Dues to Micro Enterprises and Small Enterprises                                                                        | -                                         | -                                         |
| -Dues to other than Micro Enterprises and Small Enterprises                                                             | 2,11,96,702                               | 2,17,42,215                               |
| b) Creditors for Capital Goods                                                                                          | 7,04,37,668                               | 3,23,06,425                               |
| c) Advance received from customers                                                                                      | 1,00,75,404                               | 54,63,219                                 |
| d) Amount to be credited to Investor Education and Protection Fund*                                                     |                                           |                                           |
| -- Unpaid Dividend**                                                                                                    | 17,97,646                                 | 18,27,770                                 |
| e) Other Liabilities                                                                                                    | 6,42,22,977                               | 7,46,70,785                               |
| f) Interest accrued but not due on loans                                                                                | 4,50,606                                  | 7,81,488                                  |
| * There are no amounts due and outstanding as on 31-03-2009 to be credited to Investor Education and Protection Fund    |                                           |                                           |
| ** These amounts represent warrants issued to share holders which remained unrepresented and unclaimed as on 31-03-2009 |                                           |                                           |
| <b>Total</b>                                                                                                            | <b>16,81,81,003</b>                       | 13,67,91,902                              |



| <b>SCHEDULE 11<br/>PROVISIONS</b>                                                           |                                                |                                                |
|---------------------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| <b>PARTICULARS</b>                                                                          | <b>As at<br/>31-March-2009<br/>Rupees</b>      | <b>As at<br/>31-March-2008<br/>Rupees</b>      |
| --Taxation (Net of Advance Tax of Rs.Nil) - (P.Y. Rs.22,69,82,665)                          | -                                              | 94,24,928                                      |
| --Liability towards Compensated absences                                                    | 49,90,000                                      | 62,46,950                                      |
| <b>Total</b>                                                                                | <b>49,90,000</b>                               | 1,56,71,878                                    |
| <b>Schedules forming part of Profit and Loss Account for the year ended 31st March 2009</b> |                                                |                                                |
| <b>SCHEDULE 12<br/>Other Income</b>                                                         |                                                |                                                |
| <b>PARTICULARS</b>                                                                          | <b>Year Ended<br/>31-March-2009<br/>Rupees</b> | <b>Year Ended<br/>31-March-2008<br/>Rupees</b> |
| <b>Other Income</b>                                                                         |                                                |                                                |
| Scrap Sales                                                                                 | 44,78,009                                      | 24,85,358                                      |
| Interest Received (TDS-Rs. 2,96,311 - Previous year Rs.2,36,033)                            | 22,04,751                                      | 12,62,969                                      |
| Commision Received (TDS-Rs.4,80,338-Previous year Rs.2,96,000)                              | 21,19,762                                      | 18,61,863                                      |
| Exchange Variation (Net)                                                                    | -                                              | 21,92,649                                      |
| Dividend income - Others                                                                    | 8,12,309                                       | 10,02,289                                      |
| Profit on sale of assets (Net)                                                              | -                                              | 16,85,486                                      |
| Profit on sale of investments                                                               | -                                              | 39,39,661                                      |
| Others                                                                                      | 1,50,59,564                                    | 76,88,373                                      |
| <b>Total</b>                                                                                | <b>2,46,74,395</b>                             | 2,21,18,648                                    |



| <b>SCHEDULE 13</b>                                               |                                                |                                                |
|------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| <b>Materials</b>                                                 |                                                |                                                |
| <b>PARTICULARS</b>                                               | <b>Year Ended<br/>31-March-2009<br/>Rupees</b> | <b>Year Ended<br/>31-March-2008<br/>Rupees</b> |
| 1) Consumption of Raw Materials and Chemicals                    |                                                |                                                |
| Opening Stock                                                    | 55,99,237                                      | 66,27,064                                      |
| Add: Purchases                                                   | 8,48,62,942                                    | 6,81,84,500                                    |
|                                                                  | <b>9,04,62,179</b>                             | 7,48,11,564                                    |
| Less: Closing Stock                                              | 82,59,969                                      | 55,99,237                                      |
| <b>Purchase - Trading Stock</b>                                  | <b>8,22,02,210</b>                             | 6,92,12,327                                    |
|                                                                  | <b>2,27,21,001</b>                             | 4,11,73,805                                    |
| 2) (Increase) / Decrease in Work-in-Progress and Finished Stocks |                                                |                                                |
| Opening Stock                                                    |                                                |                                                |
| Work-in-Progress                                                 | 11,14,587                                      | 29,90,818                                      |
| Finished goods                                                   | 2,26,22,228                                    | 2,12,14,618                                    |
|                                                                  | <b>2,37,36,815</b>                             | 2,42,05,436                                    |
| Closing Stock                                                    |                                                |                                                |
| Work-in-Progress                                                 | 14,68,274                                      | 11,14,587                                      |
| Finished goods                                                   | 1,66,23,750                                    | 2,26,22,228                                    |
|                                                                  | <b>1,80,92,024</b>                             | 2,37,36,815                                    |
|                                                                  | <b>56,44,791</b>                               | 4,68,621                                       |
| 3) Excise Duty on stock differential                             | (3,84,330)                                     | 3,71,840                                       |
| 4) Consumption of Stores                                         | <b>4,43,8746</b>                               | 43,95,907                                      |
| <b>TOTAL</b>                                                     | <b>11,46,22,418</b>                            | 11,56,22,500                                   |
| <b>SCHEDULE 14</b>                                               |                                                |                                                |
| <b>Other Direct Manufacturing Expenses</b>                       |                                                |                                                |
| <b>PARTICULARS</b>                                               | <b>Year Ended<br/>31-March-2009<br/>Rupees</b> | <b>Year Ended<br/>31-March-2008<br/>Rupees</b> |
| Power and Fuel                                                   | 30,97,89,854                                   | 35,58,88,046                                   |
| Labour Charges                                                   | 1,55,30,431                                    | 2,03,43,315                                    |
| <b>TOTAL</b>                                                     | <b>32,53,20,285</b>                            | 37,62,31,361                                   |



| <b>SCHEDULE 15</b>                                                              |                                                |                                                |
|---------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| <b>Employees Costs</b>                                                          |                                                |                                                |
| <b>PARTICULARS</b>                                                              | <b>Year Ended<br/>31-March-2009<br/>Rupees</b> | <b>Year Ended<br/>31-March-2008<br/>Rupees</b> |
| Salaries,Wages and Bonus (Including compensated absences payable on retirement) | 6,60,84,045                                    | 5,91,31,127                                    |
| Contribution to Provident and other Funds                                       | 1,00,76,700                                    | 98,34,157                                      |
| Staff Welfare Expenses                                                          | 46,20,443                                      | 47,73,861                                      |
| <b>Total</b>                                                                    | <b>8,07,81,188</b>                             | <b>7,37,39,145</b>                             |
| <b>SCHEDULE 16</b>                                                              |                                                |                                                |
| <b>Other Expenses</b>                                                           |                                                |                                                |
| <b>PARTICULARS</b>                                                              | <b>Year Ended<br/>31-March-2009<br/>Rupees</b> | <b>Year Ended<br/>31-March-2008<br/>Rupees</b> |
| Repairs and Maintenance - Machinery                                             | 6,39,53,584                                    | 4,34,03,153                                    |
| - Buildings                                                                     | 96,67,989                                      | 58,73,843                                      |
| Rent                                                                            | 29,17,907                                      | 26,90,968                                      |
| Advertisement charges                                                           | 18,17,327                                      | 1,61,31,986                                    |
| Rates and Taxes                                                                 | 13,79,138                                      | 16,94,696                                      |
| Insurance                                                                       | 45,02,237                                      | 56,34,256                                      |
| Auditor's Remuneration                                                          |                                                |                                                |
| - Statutory audit                                                               | 8,00,000                                       | 8,00,000                                       |
| - Certification                                                                 | 1,00,000                                       | 1,00,000                                       |
| - For expenses                                                                  | 35,400                                         | 69,000                                         |
| Commission to Directors                                                         | 35,89,432                                      | 64,15,612                                      |
| Sitting fees                                                                    | 1,15,000                                       | 95,000                                         |
| Commission and Discount on Sales                                                | 2,59,49,735                                    | 3,44,66,923                                    |
| Travelling Expenses                                                             | 87,96,744                                      | 80,52,232                                      |
| Exchange variation(Net)                                                         | 39,53,125                                      | -                                              |
| Loss on Sale of Assets(Net)                                                     | 6,31,087                                       | -                                              |
| Bad debts Written of                                                            | 5,83,364                                       | 8,45,317                                       |
| Less : Provision for bad and doubtful debts                                     | (1,07,307)                                     | -                                              |
| Provision for bad and doubtful debts                                            | -                                              | 1,07,307                                       |
| Miscellaneous Expenses                                                          | 5,41,11,104                                    | 4,05,40,853                                    |
| <b>Total</b>                                                                    | <b>18,27,95,866</b>                            | <b>16,69,21,146</b>                            |
| <b>SCHEDULE 17</b>                                                              |                                                |                                                |
| <b>Interest / Finance Charges</b>                                               |                                                |                                                |
| <b>PARTICULARS</b>                                                              | <b>Year Ended<br/>31-March-2009<br/>Rupees</b> | <b>Year Ended<br/>31-March-2008<br/>Rupees</b> |
| Interest on Fixed Loan                                                          | 82,29,389                                      | 1,33,12,170                                    |
| Interest on Cash Credit                                                         | 2,66,125                                       | 1,63,580                                       |
| Interest on Others                                                              | 3,40,302                                       | 4,547                                          |
| <b>Total</b>                                                                    | <b>88,35,816</b>                               | <b>1,34,80,297</b>                             |



## SCHEDULE -18

### Significant Accounting Policies and Notes to Accounts for the year ended March 31, 2009

#### I. SIGNIFICANT ACCOUNTING POLICIES

##### 1) BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention on the accrual basis of accounting and in accordance with Accounting principles generally accepted in India and comply with the accounting standards notified by the Central Government of India, under the Companies (Accounting Standards) rules 2006 and relevant provisions of the Companies Act, 1956.

##### 2) USE OF ESTIMATES

The preparation of the financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and the disclosures relating to contingent assets and liabilities as on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates.

##### 3) INVENTORIES

Inventories are valued at the lower of cost (net of cenvat where applicable) and net realizable value. Cost includes cost of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. The method of determination of cost of various categories of inventory are as follows:

- a) Raw Materials and Chemicals, Fuel, Stores and Spares and Packing Materials – On weighted average basis.
- b) Finished goods and Work in Progress at lower of Cost, which includes appropriate production overheads and Net Realizable Value, the Cost being determined on weighted average basis. Excise duty payable on manufactured finished goods held in the factory is included in the value of closing stock wherever applicable.

##### 4) FIXED ASSETS AND DEPRECIATION

Fixed Assets are recorded at cost less accumulated depreciation. The company capitalizes all costs relating to acquisition and installation of fixed assets. Cost of spares relating to specific item of fixed assets is capitalized. Borrowing costs are capitalized as part of qualifying fixed assets. Other borrowing costs are expensed. Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and cost of fixed assets not ready to use before such date are disclosed under 'Capital Work- in- Progress and Advances'.

Fixed assets are depreciated pro rata to the period of use, based on straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956. In respect of certain plant and machinery, depreciation is provided over their estimated useful life, based on technical assessment by the management, the corresponding rate of depreciation of which is, however higher than the schedule XIV rates (Also refer Note No. II 5 of Schedule 18 to the financial statements). Assets costing less than Rs.5000 are fully depreciated in the year of addition.

##### 5) IMPAIRMENT OF ASSETS

The company determines whether there is any indication of impairment of the carrying amount of its assets. The recoverable amount of such assets are estimated, if any indication exists and impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

##### 6) OPERATING LEASES

Leases of assets under which the lessor effectively retains all risks and rewards of ownership are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

##### 7) RESEARCH AND DEVELOPMENT

Revenue expenditure incurred on research and development activities is expensed. Fixed assets, relating to research and development are capitalized and depreciation provided there on.

##### 8) TECHNICAL KNOW HOW

Technical Know how fees incurred prior to application of Accounting Standard 26 "Intangible Assets" has been



accounted as deferred revenue expenditure and charged off over the period of the agreement.

**9) REVENUE RECOGNITION**

Sale of Finished Goods is recognized upon despatch of goods. Sales are accounted net of Excise Duty, returns, Sales Tax and freight.

Revenue from services is recognized when services are rendered to customers.

**10) FOREIGN EXCHANGE TRANSACTION**

Transactions in foreign currencies are accounted at the exchange rates prevailing on the date of the transactions and the realized exchange loss/gain are dealt with in the Profit & Loss Account.

Monetary assets and liabilities denominated in foreign currency are restated at the rates of exchange as on the Balance Sheet date and the exchange/gain loss is suitably dealt with in the Profit & Loss Account.

**11) INVESTMENTS**

Long term investments are stated at cost of acquisition. Provision for diminution is made when such diminution is considered other than temporary in nature. Current Investments are stated at lower of cost and fair value. Valuation is determined on the basis of each category of investments.

Dividend Income is accounted when the right to receive is established.

**12) EMPLOYEE BENEFITS**

**DEFINED CONTRIBUTION PLAN**

a. Fixed contributions to Provident Fund and Employees State Insurance are recognized in the accounts at actual cost to the company.

b. Super Annuation Fund: The Company makes contribution to a scheme administered by the Life Insurance Corporation of India (LIC) to discharge its liabilities towards super annuation to the employees. The Company has no other liability other than its annual contribution.

**DEFINED BENEFIT PLAN**

a. Gratuity: The Company makes contribution to a scheme administered by the Life Insurance Corporation of India (LIC) to discharge gratuity liabilities to the employees. The Company accounts its liability for future gratuity benefits based on actuarial valuation as at the balance sheet date, using Projected Unit Credit Method.

b. Compensated Leave: The Company records its liability on compensated leave based on actuarial valuation as at the balance sheet date, using the Projected Unit Credit Method.

**SHORT TERM BENEFITS**

Short term employee benefits are recognized as expense as per the company's scheme based on expected obligation on undiscounted basis.

**13) TAXATION**

a. Current tax is determined on the profit for the year in accordance with the provisions of the Income tax Act, 1961.

b. Deferred tax is calculated at the rates and laws that have been enacted or substantially enacted as of the Balance Sheet date and is recognized on timing difference that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets, subject to consideration of prudence, are recognized and carried forward only to the extent that they can be realized.

c. Fringe Benefit tax is calculated in accordance with the provisions of the Income Tax Act, 1961.

**14) SEGMENT REPORTING**

(i) The accounting policies adopted for segment reporting are in line with the accounting policies of the company.

(ii) Revenue and expenses have identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise a whole and are not allocable to segments on a reasonable basis, have been included under unallocated corporate expenses.

**15) 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 outflow of resources. Contingent Liabilities are not recognised, but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.



**II. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009**

**1. Excise Duty**

Excise Duty on sales for the year has been disclosed as reduction from the turnover. Excise duty relating to the difference between the closing stock and opening stock has been included in Schedule 13 "Materials"

2. The land of erstwhile Membrane Technologies Limited, is in the process of being transferred in the name of the Company.

|                                                                                                                                                                                                            | Rupees         |                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                                                                                                                            | 31, March 2009 | 31, March 2008 |
| <b>3. Commitments</b><br>Estimated amount of contracts remaining to be executed on capital account and not provided for in these accounts (net of advances)                                                | 1,76,01,686    | 1,36,17,757    |
| <b>4. Contingent liabilities in respect of</b>                                                                                                                                                             |                |                |
| (a) Counter Guarantees to Banks for guarantees given by the banks                                                                                                                                          | 7,15,34,947    | 5,55,11,000    |
| (b) Guarantees given by the company to the customs department on behalf of Teamco Hitech Engineering Limited                                                                                               | 50,00,000      | 50,00,000      |
| (c) Letters of credit                                                                                                                                                                                      | 5,15,72,788    | 48,83,000      |
| (d) Sales tax, Income tax and Excise demands against which the Company has filed appeals and for which no provision is considered required as the company is hopeful of successful outcome in the appeals. | 1,47,73,869    | 41,71,000      |

| SI No. | Name of the Statute       | Nature of Dues                                       | Rupees             | Period      | Forum where dispute is pending |
|--------|---------------------------|------------------------------------------------------|--------------------|-------------|--------------------------------|
| 1      | Pondicherry Sales Tax Act | Sales tax on Brine sales                             | 2,80,178           | 1990-2000   | High court of Madras           |
| 2      | Central Excise Act        | Clearance of Spent Sulphuric acid at NIL rate        | 2,03,543           | 1992-1997   | CESTAT                         |
| 3      | Central Excise Act        | Clearance of Brine solution at NIL rate              | 13,85,265          | 2002-2006   | CESTAT                         |
| 4      | Central Excise Act        | Clearance of Brine solution at NIL rate              | 2,98,796           | 2005-2007   | Commissioner(Appeals), Chennai |
| 5      | Central Excise Act        | Modvat on freight amount                             | 16,80,760          | 2005-2006   | CESTAT                         |
| 6      | Central Excise Act        | Service tax on lease on machinery                    | 9,400              | 2002-2003   | Commissioner(Appeals), Chennai |
| 7      | Central Sales Tax Act     | C forms pending                                      | 57,939             | 2003-2004   | CTO Chengalpet                 |
| 8      | Central Excise Act        | Clearance of Brine solution at NIL rate              | 2,54,838           | 2006-2007   | Commissioner(Appeals), Chennai |
| 9      | Central Excise Act        | Clearance of Brine solution at NIL rate              | 3,27,778           | 2007-2008   | Commissioner(Appeals), Chennai |
| 10     | Central Excise Act        | Availment of Cenvat credit on return of Hydrogen gas | 4,36,902           | 2007-2009   | Commissioner(Appeals), Chennai |
| 11     | Central Excise Act        | Clearance of Brine solution at NIL rate              | 3,10,690           | 2007-2009   | Commissioner(Appeals), Chennai |
| 12     | Income Tax Act, 1961      | Capital gains on Insurance claim                     | 84,60,249          | AY2003-2004 | Commissioner(Appeals), Chennai |
| 13     | Income Tax Act, 1961      | Capital gains on transfer of land                    | 10,67,531          | AY2005-2006 | Commissioner(Appeals), Chennai |
|        |                           |                                                      | <b>1,47,73,869</b> |             |                                |

Out of the above amounts of Rs.28,61,756/- (P.Y. Rs. 1,95,000/-) have been deposited with the concerned authorities.

Note: Show cause notices received have not been considered as contingent liabilities

5. Depreciation on plant and machineries was hitherto provided under minimum rates specified in Schedule XIV of the Companies Act, 1956. During the year, based on a technical evaluation by the management, the useful life of certain machineries was re-assessed and consequently an additional depreciation of Rs.1,41,34,246 has been charged to the profit and loss account.



|                                                                                                                                            |       | Rupees         |                    |               |                    |
|--------------------------------------------------------------------------------------------------------------------------------------------|-------|----------------|--------------------|---------------|--------------------|
|                                                                                                                                            |       | 31-March-2009  |                    | 31-March-2008 |                    |
| <b>6. Director's Remuneration</b>                                                                                                          |       |                |                    |               |                    |
| Net profit as per section 349 of the Companies Act, 1956                                                                                   |       | 12,32,37,157   |                    | 22,02,71,235  |                    |
| Commission at 3%.                                                                                                                          |       | 35,89,432      |                    | 64,15,612     |                    |
| <b>7. Break-up of raw materials and chemicals consumed.</b>                                                                                |       |                |                    |               |                    |
|                                                                                                                                            | Units | 31- March-2009 |                    | 31-March-2008 |                    |
|                                                                                                                                            |       | Quantity       | Value              | Quantity      | Value              |
| <b>Major raw materials</b>                                                                                                                 |       |                |                    |               |                    |
| Salt                                                                                                                                       | MT    | 55,121.727     | 5,91,91,254        | 65,393.544    | 3,72,80,277        |
| Less : captive consumption                                                                                                                 | MT    | 40,064.160     | 2,68,40,583        | 63,100.575    | 2,74,44,060        |
| <b>Net consumption</b>                                                                                                                     |       |                | <b>3,23,50,671</b> |               | <b>98,36,217</b>   |
| Brine                                                                                                                                      | MT    | 4,490.531      | 19,59,222          | 5,463.949     | 25,96,016          |
| Less : captive consumption                                                                                                                 | MT    | 4,479.760      | 13,78,267          | 5,329.550     | 16,13,985          |
| <b>Net consumption</b>                                                                                                                     |       |                | <b>5,80,955</b>    |               | <b>9,82,031</b>    |
| <b>Major chemicals</b>                                                                                                                     |       |                |                    |               |                    |
| Soda Ash                                                                                                                                   | MT    | 373.250        | 66,73,876          | 410.270       | 64,73,338          |
| Sulphuric acid                                                                                                                             | MT    | 420.222        | 40,89,596          | 560.570       | 33,61,661          |
| Sodium Sulphite                                                                                                                            | MT    | 59.500         | 13,87,070          | 40.650        | 6,94,895           |
| Barium chloride solution                                                                                                                   | MT    | 129.810        | 28,09,283          | 15.117        | 2,69,569           |
| Barium Carbonate                                                                                                                           | MT    | 74.750         | 15,09,306          | 100.500       | 17,28,055          |
|                                                                                                                                            |       |                | <b>1,64,69,131</b> |               | <b>1,25,27,518</b> |
| <b>Others *</b>                                                                                                                            |       |                | 3,43,28,884        |               | 4,77,25,372        |
| Less : captive consumption                                                                                                                 |       |                | 15,27,431          |               | 18,58,811          |
| <b>Net consumption</b>                                                                                                                     |       |                | <b>3,28,01,453</b> |               | <b>4,58,66,561</b> |
|                                                                                                                                            |       |                | <b>8,22,02,210</b> |               | <b>6,92,12,327</b> |
| * Others include raw materials, components and spare parts, none of which individually account for more than 10% of the total consumption. |       |                |                    |               |                    |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARENDED MARCH 31, 2009**  
**8. Capacities, Production, Stock and Turnover**

| Class of goods                             | Units | Annual installed capacity | Opening stock of finished goods |                              | Production of finished goods Quantity | Turnover / services of finished goods |                                  | Closing stock of finished goods |                              |
|--------------------------------------------|-------|---------------------------|---------------------------------|------------------------------|---------------------------------------|---------------------------------------|----------------------------------|---------------------------------|------------------------------|
|                                            |       |                           | Quantity (in MT)                | Rupees                       |                                       | Quantity (in MT)                      | Rupees                           | Quantity (in MT)                | Rupees                       |
| 1 Caustic Soda Lye                         | MT    | 42,000<br>(42,000)        | 242.701<br>(437.151)            | 15,55,146<br>(29,01,941)     | 29,229.322<br>(38,065.628)            | 29,003.568<br>(38,260.078)            | 57,39,64,084<br>(58,14,48,505)   | 468.455<br>(242.701)            | 36,95,929<br>(15,55,146)     |
| 2 Chlorine                                 | MT    | 37,000<br>(37,000)        | 194.890<br>(149.880)            | 11,67,264<br>(10,39,540)     | 22,078.800<br>(29,306.500)            | 22,178.970<br>(29,261.490)            | 9,31,07,071<br>(16,61,84,553)    | 94.720<br>(194.890)             | 3,90,896<br>(11,67,264)      |
| 3 Salt                                     | MT    |                           | 13,005.640<br>(37,833.170)      | 1,09,64,276<br>(1,36,09,311) | 33,079.490<br>(48,175.100)            | 40,184.350<br>(73,002.630)            | -<br>(9,57,716)                  | 5,900.780<br>(13,005.640)       | 39,44,325<br>(1,09,64,276)   |
| 4 Others                                   |       | -<br>-                    | -<br>-                          | 89,35,542<br>(36,63,826)     | -<br>-                                | -<br>-                                | 23,19,32,723<br>(25,58,23,165)   | -<br>-                          | 85,92,600<br>(89,35,542)     |
| Total value (Net of excise duty and taxes) |       |                           |                                 | 2,26,22,228<br>(2,12,14,618) | -                                     | -                                     | 89,90,03,878<br>(1,00,44,13,939) | -                               | 1,66,23,750<br>(2,26,22,228) |

**Notes:**

- 1 Figures in brackets are for the previous year.
- 2 Installed capacities, being technical in nature are as certified by management and have not been verified by the auditors.
- 3 As turnover involves combination of different products for composite prices, quantities and values shown against each item of turnover represent quantity and sale value of the respective products sold as such. Certain items considered to be insignificant have been aggregated and included in "Others".
- 4 Production is net of captive consumption, and turnover includes sales of trading items.
- 5 The Company has obtained the environmental clearance for capacity enhancement to 200 TPD Caustic Soda and for other Co-products from the Ministry of Environment and Forests, New Delhi.



| <b>NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009</b>                            |                       |            |                      |                    |
|-------------------------------------------------------------------------------------------------------|-----------------------|------------|----------------------|--------------------|
| <b>9. Value of Raw Materials, Chemicals and Stores and Spares consumed :</b>                          |                       |            |                      |                    |
| (Rupees)                                                                                              |                       |            |                      |                    |
|                                                                                                       | <b>31- March-2009</b> |            | <b>31-March-2008</b> |                    |
|                                                                                                       | Value                 | %          | Value                | %                  |
| <b>Raw Material and Chemicals:</b>                                                                    |                       |            |                      |                    |
| Imported                                                                                              | 24,37,925             | 3          | 37,62,000            | 5                  |
| Indigenous                                                                                            | 7,97,64,284           | 97         | 6,54,50,627          | 95                 |
| <b>Total</b>                                                                                          | <b>8,22,02,209</b>    | <b>100</b> | <b>6,92,12,627</b>   | <b>100</b>         |
| <b>Stores and Spares :</b>                                                                            |                       |            |                      |                    |
| Imported                                                                                              | 49,21,111             | 10         | 9,35,000             | 3                  |
| Indigenous                                                                                            | 4,31,00,465           | 90         | 2,88,62,000          | 97                 |
| <b>Total</b>                                                                                          | <b>4,80,21,576</b>    | <b>100</b> | <b>2,97,97,000</b>   | <b>100</b>         |
|                                                                                                       |                       |            | (Rupees)             |                    |
|                                                                                                       |                       |            | <b>31-March-2009</b> | 31- March-2008     |
| <b>10. Value of imports on CIF basis</b>                                                              |                       |            |                      |                    |
| Raw Materials                                                                                         |                       |            | 15,95,425            | 8,42,000           |
| Components, Stores and Spare parts                                                                    |                       |            | 50,78,414            | 62,29,000          |
| Capital goods                                                                                         |                       |            | 6,06,01,234          | 2,13,63,000        |
| Finished goods                                                                                        |                       |            | 66,84,517            | -                  |
|                                                                                                       |                       |            | <b>7,39,59,590</b>   | <b>2,84,34,000</b> |
| <b>11. Expenditure in foreign currency</b><br><b>(subject to withholding of tax where applicable)</b> |                       |            |                      |                    |
| Travelling expenses                                                                                   |                       |            | 2,08,108             | 4,69,000           |
| Subscription / Membership Fee                                                                         |                       |            | 5,79,986             | 4,79,000           |
| Commission paid to Directors                                                                          |                       |            | 54,65,612            | 62,00,000          |
| Professional fees                                                                                     |                       |            | 16,28,600            | 20,53,000          |
|                                                                                                       |                       |            | <b>78,82,306</b>     | <b>92,01,000</b>   |
| <b>12. Earnings in foreign exchange</b>                                                               |                       |            |                      |                    |
| FOB value of exports                                                                                  |                       |            | 85,47,531            | 66,21,000          |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009**

**13. Employee Benefits**

The Company's obligation towards the Gratuity fund is a defined benefit plan. The details of actuarial valuation is given below.

**Defined benefit Plans**

**Rupees**

|                                                         | <b>Gratuity</b>    | <b>Salary in lieu of unavailed leave</b> |
|---------------------------------------------------------|--------------------|------------------------------------------|
| <b>(I) Change in Benefit Obligation</b>                 |                    |                                          |
| Liability at the beginning of the year                  | 1,51,96,000        | 1,11,02,000                              |
| Interest Cost                                           | 9,12,000           | 8,33,000                                 |
| Current Service Cost                                    | 42,85,000          | 34,75,000                                |
| Benefit Paid                                            | (17,35,000)        | (4,94,000)                               |
| Actuarial (gain)/loss on obligations                    | 11,47,000          | 2,80,000                                 |
| <b>Liability at the end of the year</b>                 | <b>1,98,05,000</b> | <b>1,51,96,000</b>                       |
| <b>(II) Fair value of Plan Assets</b>                   |                    |                                          |
| Fair value of plan assets at the beginning of the year  | 1,07,82,000        | 1,07,85,000                              |
| Expected Return on Plan Assets                          | 8,82,000           | 8,09,000                                 |
| Contributions                                           | 22,10,000          | 5,70,000                                 |
| Benefit Paid                                            | (17,35,000)        | (4,94,000)                               |
| Actuarial gain/(loss) on Plan Assets                    | 1,30,000           | (8,88,000)                               |
| <b>Fair value of plan assets at the end of the year</b> | <b>12,269,000</b>  | <b>10,782,000</b>                        |
| <b>(III) Actual Return on Plan Assets</b>               |                    |                                          |
| Expected Return on Plan Assets                          | 11,47,000          | 2,80,000                                 |
| Actuarial (gain)/loss on Plan Assets                    | (1,30,000)         | 8,88,000                                 |
| <b>Actual Return on Plan Assets</b>                     | <b>10,17,000</b>   | <b>11,68,000</b>                         |
| <b>(IV) Amount Recognised in the Balance Sheet</b>      |                    |                                          |
| Liability at the end of the year                        | 1,98,05,000        | 1,51,96,000                              |
| Fair Value of Plan Assets at the end of the year        | 1,22,69,000        | 1,07,82,000                              |
| <b>Amount Recognised in the Balance Sheet</b>           | <b>75,36,000</b>   | <b>44,14,000</b>                         |
| <b>(V) Expenses Recognised in the Income Statement</b>  |                    |                                          |
| Current Service Cost                                    | 42,85,000          | 34,75,000                                |
| Interest Cost                                           | 9,12,000           | 8,33,000                                 |
| Expected Return on Plan Assets                          | (8,82,000)         | (8,09,000)                               |
| Net Actuarial (Gain)/loss to be recognised              | 10,17,000          | 11,68,000                                |
| <b>Expense Recognised in P &amp; L</b>                  | <b>53,32,000</b>   | <b>46,67,000</b>                         |
| <b>(VI) Balance Sheet Reconciliation</b>                |                    |                                          |
| Opening Net Liability                                   | 44,14,000          | 3,17,000                                 |
| Expense as above                                        | 53,32,000          | 46,67,000                                |
| Employers Contribution                                  | (22,10,000)        | (5,70,000)                               |
| <b>Amount Recognised in Balance Sheet</b>               | <b>75,36,000</b>   | <b>44,14,000</b>                         |
| <b>(VII) Actuarial Assumptions : For the year</b>       |                    |                                          |
| Discount Rate Current                                   | 6.00%              | 7.50%                                    |
| Rate of Return on Plan Assets Current                   | 8.00%              | 7.50%                                    |
| Salary Escalation Current                               | 8.00%              | 8.00%                                    |
| Mortality                                               | LIC(94-96)         | LIC(94-96)                               |



**14. Segment Information**

- a) Primary segment reporting (by Business segments)  
 (i) The Company has considered business segment as the primary segment for disclosure.

These are:

**Chlor Alkali division**  
**Others**

|                     | Rupees       |              |              |              |               |               |
|---------------------|--------------|--------------|--------------|--------------|---------------|---------------|
|                     | Chlor Alkali |              | Others       |              | Total         |               |
|                     | 2008 - 2009  | 2007 - 2008  | 2008 - 2009  | 2007 - 2008  | 2008 - 2009   | 2007 - 2008   |
| Segment revenue     | 77,09,78,707 | 84,86,99,393 | 15,77,71,452 | 18,66,18,003 | 92,87,50,159  | 103,53,17,396 |
| Segment result      | 12,59,29,598 | 22,42,54,020 | 25,53,943    | 30,81,900    | 12,84,83,541  | 22,73,35,920  |
| Segment assets      | 97,89,39,349 | 93,41,26,668 | 14,89,34,288 | 15,81,05,550 | 112,78,73,637 | 109,22,32,218 |
| Segment liabilities | 14,90,58,805 | 12,08,63,421 | 8,67,51,506  | 9,37,56,033  | 23,58,10,311  | 21,46,19,454  |
| Capital expenditure | 18,71,70,923 | 8,29,53,804  | 57,23,510    | 59,89,876    | 19,28,94,433  | 8,89,43,680   |
| Depreciation        | 8,29,51,830  | 5,31,15,957  | 87,23,145    | 1,35,66,558  | 9,16,74,975   | 6,66,82,515   |

**Reconciliation of reportable segments with the financial statements:**

|                                    | Rupees              |                      |                      |                     |                      |                      |                     |                     |                     |                    |                    |                    |
|------------------------------------|---------------------|----------------------|----------------------|---------------------|----------------------|----------------------|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|
|                                    | Gross Revenues      |                      | Results / Net profit |                     | Assets               |                      | Liabilities         |                     | Capital Expenditure |                    | Depreciation       |                    |
|                                    | 2008-2009           | 2007-2008            | 2008-2009            | 2007-2008           | 2008-2009            | 2007-2008            | 2008-2009           | 2007-2008           | 2008-2009           | 2007-2008          | 2008-2009          | 2007-2008          |
| Total of reportable segments       | 92,87,50,159        | 103,53,17,396        | 12,84,83,541         | 22,73,35,920        | 112,78,73,637        | 109,22,32,218        | 23,58,10,311        | 21,46,19,454        | 19,28,94,433        | 8,89,43,680        | 9,16,74,975        | 6,66,82,515        |
| Corporate - unallocated            | -                   | -                    | -                    | -                   | 56,11,199            | 1,58,19,660          | 21,67,39,389        | 27,39,01,512        | -                   | -                  | -                  | -                  |
| Inter segment                      | (2,97,46,281)       | (3,09,03,457)        | -                    | -                   | (6,26,39,308)        | (7,15,81,602)        | (6,26,39,308)       | (7,15,81,602)       | -                   | -                  | -                  | -                  |
| Interest                           | -                   | -                    | (88,35,816)          | (1,34,80,297)       | -                    | -                    | -                   | -                   | -                   | -                  | -                  | -                  |
| Taxes                              | -                   | -                    | (4,12,46,017)        | (7,33,24,263)       | 75,72,556            | -                    | -                   | 94,24,928           | -                   | -                  | -                  | -                  |
| <b>As per financial statements</b> | <b>89,90,03,878</b> | <b>100,44,13,939</b> | <b>7,84,01,708</b>   | <b>14,05,31,360</b> | <b>107,84,18,084</b> | <b>103,64,70,276</b> | <b>38,99,10,392</b> | <b>42,63,64,292</b> | <b>19,28,94,433</b> | <b>8,89,43,680</b> | <b>9,16,74,975</b> | <b>6,66,82,515</b> |

- b) The company does not have any reportable geographical segments



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009**

**15. Related Party Disclosures - As identified by the management and relied upon by the auditors**

a) List of Related parties and description of relationship

- |                                                     |                                                                                                 |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------|
| (i) Persons with Significant influence              | Teamco Hitech Engineering Limited<br>Titanium Equipment and Anode Manufacturing company Limited |
| (ii) Key Management Personnel<br>Relatives of above | Dr.C.H.Krishnamurthi Rao<br>Mr. Suresh Rao<br>Mrs. K.Padma                                      |

b) Transactions with related parties :

| Nature of transactions                               | Persons with significant influence |                                                            | Key Management Personnel and Relatives |
|------------------------------------------------------|------------------------------------|------------------------------------------------------------|----------------------------------------|
|                                                      | Teamco Hitech Engineering Limited  | Titanium Equipment and Anode Manufacturing Company Limited |                                        |
| Purchase of Plant & Machinery                        | -<br>(3,27,43,000)                 | -                                                          |                                        |
| Annual maintenance charges                           | -<br>(67,00,000)                   | 67,31,300                                                  |                                        |
| Royalty Expenses                                     | 2,13,026<br>(9,04,000)             | -                                                          |                                        |
| Service Charges                                      | -<br>(1,81,000)                    | -                                                          |                                        |
| Lease Rent                                           | 3,19,000<br>(3,48,000)             | 12,57,006                                                  |                                        |
| Sales                                                | 34,36,451<br>(9,85,000)            | 32,032                                                     |                                        |
| Purchases                                            | 4,70,77,477<br>(76,21,000)         | -                                                          |                                        |
| Others                                               | 17,64,718<br>(11,39,000)           | 16,59,800                                                  |                                        |
| Outstanding guarantee to Customs                     | 50,00,000<br>(50,00,000)           | -                                                          |                                        |
| Payables                                             | 1,37,19,628<br>(1,82,63,000)       | 27,96,579                                                  |                                        |
| <b><u>Mr.C.H.Krishnamurthy Rao</u></b><br>Commission |                                    |                                                            | 54,65,612<br>(62,00,000)               |
| <b><u>Mr.Suresh Rao</u></b><br>Commission            |                                    |                                                            | 5,00,000<br>(10,00,000)                |
| <b><u>Mrs. K M Padma</u></b><br>Sale of Investments  |                                    |                                                            | -<br>(37,65,000)                       |

Figures in the bracket indicate previous year figures.



### 16 Operating Leases

The Company has taken on lease certain vehicles during the year under non cancelable operating lease agreements. The rental expense under such operating leases was Rs.19,91,892 (Previous Year Rs.1,93,000/-). Future minimum lease payments on non cancellable lease agreements as at March 31, 2009 are as follows :

| Particulars                                  | 31-March-09      | 31-March-08      |
|----------------------------------------------|------------------|------------------|
|                                              | Rupees           | Rupees           |
| Not later than 1 year                        | 17,59,091        | 10,27,000        |
| Later than 1 year and not later than 5 years | 3,13,046         | 13,20,000        |
| <b>Total</b>                                 | <b>20,72,137</b> | <b>23,47,000</b> |

#### General description of lease terms:

- (i) Lease rentals are charged on the basis of agreed terms.
- (ii) Assets are taken on lease over a period of 24 to 36 months

### 17. Earnings per Share

Net Profit for the year has been used as the numerator and number of shares has been used as denominator for calculating the basic and diluted earnings per share.

|                                             | Rupees        |               |
|---------------------------------------------|---------------|---------------|
|                                             | 31-March-2009 | 31-March-2008 |
| <b>Face Value Per Share</b>                 | 5             | 5             |
| <b>Basic and Diluted Earnings per Share</b> |               |               |
| Net Profit after Tax                        | 7,84,01,708   | 14,05,31,360  |
| Weighted average Number of Shares           | 91,71,697     | 91,71,697     |
| Basic Earnings per Share                    | 8.55          | 15.32         |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009**

**18. DEFERRED TAXATION**

The break up of net deferred tax liability is as under :

**Deferred tax liabilities :**

Timing differences on account of :

Depreciation on fixed assets

**31-March-2009**

31-March-2008

17,43,88,399

16,13,03,096

**Deferred tax assets :**

Timing differences on account of :

Disallowances under Section 43B of the Income tax Act, 1961

16,96,101

18,12,000

Net Deferred Tax Liability

**17,26,92,298**

15,94,91,096



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009**

19. Repairs to Plant and Machinery include stores and spares consumed amounting to Rs.4,35,82,830 (Rs.2,54,01,000)
20. Micro, Small and Medium Enterprises Development Act, 2006
- In accordance with the Notification No. GSR 719 ( E ) dt 16.11.2007 , issued by the Ministry of Corporate Affairs, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises as defined under the Micro, Small and Medium Development Act 2006. The Company is in the process of compiling relevant information from its suppliers about their coverage under the said act. Since the relevant information is still not available, no disclosures have been made in the accounts.
21. The Company Secretary appointed in April 2008 has resigned from the services of the Company in August 2008 and the Vice President (Finance) has been designated as the Compliance Officer. By virtue of notification G.S.R. 11 (E) dated 5th January 2009 which comes into effect from 15th March 2009 the requirement for a Secretary does not apply to the Company as the paid-up capital is less than Rs.5 crores.
22. Previous year figures are regrouped wherever necessary to conform to current year's classification.

for and on behalf of the Board of Directors

**For Deloitte Haskins & Sells**  
**Chartered Accountants**

**Bhavani Balasubramanian**  
**Partner**

**Place : Chennai**  
**Date : April 2, 2009**

**Nitin S Cowlagi**  
**Vice President -Finance**

**C S Ramesh**  
**Director**

**Dr C H Krishnamurthi Rao**  
**Chairman**



**24 Information pursuant to the provisions of Part IV of Schedule VI to the Companies act, 1956  
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I Registration Details**      of 1983 State Code    
Balance Sheet Date

**II Capital raised during the year (Amount in Rs. Thousands)**  
Public Issue      Share pending allotment      
Bonus Issue

**III Position of Mobilisation and deployment of Funds (Amount in Rs.Thousands)**  
Total Liabilities         Total Assets         
SOURCES OF FUNDS  
Paidup Capital         Reserves & Surplus          
Secured Loans        Deferred Tax Liability          
Application of Funds  
Net Fixed Assets         Investments         
Net current Assets         
Accumulated Losses

**IV Performance of the Company (Amount in Rs.Thousands)**  
Turnover (Gross Revenue)         Total expenditure including Depreciation         
Profit/Loss Before Tax        Profit/Loss After Tax        
Earning per share in Rs   .   Dividend   %

**V Generic Names of the three Principal Products/Services of the Company (As per Monetary Terms)**  
Item Code (ITC CODE)          
Product Description                
Item Code (ITC CODE)          
Product Description                
Item Code (ITC CODE)        
Product Description      
Item Code (ITC CODE)     .    
Product Description                    
                  
Item Code (ITC CODE)     .    
Product Description             /

SIGNATURES TO SCHEDULES "1" TO "18" FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

for and on behalf of the Board of Directors

**Nitin S Cowlagi**  
Vice President - Finance

**C S Ramesh**  
Director

**Dr C H Krishnamurthi Rao**  
Chairman

Place : Chennai  
Date : April 2, 2009



**CHEMFAB ALKALIS LIMITED**

(Regd. Office: 'Gnanananda Place', Kalapet,  
Puducherry- 605014)

**NOTICE OF THE ANNUAL GENERAL MEETING**

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Shareholders of the Company will be held on Thursday, the 30th April, 2009 at 9.00 AM at the Registered Office of the Company at 'Gnanananda Place', Kalapet, Puducherry- 605014, to transact the following business.

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2009, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Dr. C.H. Krishnamurthi Rao, who retires by rotation.
3. To appoint a Director in the place of Mr.T.Ramabhadran, who retires by rotation.
4. To appoint the Auditors and to fix their remuneration. The retiring auditors, M/S Deloitte Haskins & Sells, Chartered Accountants, Chennai, are eligible for reappointment.

**SPECIAL BUSINESS**

5. To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary resolution:

**"RESOLVED THAT** Mr.J.Venkataraman be and is hereby appointed as a Director of the Company liable to retire by rotation".

By Order of the Board

Place : Chennai  
Date : April 2, 2009

Suresh Rao  
Vice Chairman

**Notes:**

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Annual General Meeting, is annexed.
2. A MEMBER OF THE COMPANY, WHO IS ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
3. Instrument of Proxies, in order to be effective, must be received at the Company's Registered office not later than 48 (Forty Eight) hours before the time fixed

for holding the Annual General Meeting. A Form of Proxy is enclosed.

4. Members are requested to produce the Attendance Slip, sent along with the Annual Report, duly signed as per the specimen signature recorded with the Company for admission to the Meeting.
5. Members, who hold shares in dematerialised form, are requested to bring their Client ID and DP ID Nos. for easier verification of attendance at the Meeting.
6. The Register of Members and Share Transfer Books of the Company will remain closed from 26th April, 2009 to 30th April, 2009 (both days inclusive).
7. Members holding shares in physical form are requested to intimate changes, if any, in their registered addresses, Bank Mandate and Status, quoting their Folio Numbers, to the Share transfer Agent of the Company M/s Cameo Corporate Services Limited, "Subramanian Building", No.1, Club House Road, Chennai - 600 002 immediately.
8. The Company has made transport arrangement for the Shareholders to attend the Annual General Meeting. The vehicle will start from the New Bus stand at Puducherry (Near Hotel Mass) at 8.00 a.m. The Shareholders who intend to avail the facility may write to the Company, quoting their Folio Nos / DP ID No. and Client ID No. so as to reach the Company on or before the 26th April, 2009.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956. ITEM NO. 5**

Mr.J.Venkataraman was co-opted as an Additional Director of the Company with effect from the 1st October, 2008. In accordance with the provisions of Section 260 of the Companies Act, 1956, Mr.J.Venkataraman would vacate his office on the date of the ensuing Annual General Meeting. However, a Notice under Section 257 of the Companies Act, 1956 has been received from a Member signifying his intention to propose the appointment of Mr.J.Venkataraman as a Director of the Company at the Annual General Meeting. Accordingly, the Resolution under Item No.5 of the Notice is submitted for the approval of the Shareholders.

None of the Directors of the Company, except Mr.J.Venkataraman, is concerned or interested in the Resolution.

By Order of the Board

Place : Chennai  
Date : April 2, 2009

Suresh Rao  
Vice Chairman





*Chemfab alkalis limited*

Regd. Office : 'Gnanananda Place' Kalapet, Puducherry - 605 014

**ATTENDANCE SLIP**

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

I/We\* hereby Record my/our presence at the 26th Annual General Meeting of Chemfab Alkalis Limited on 30th April, 2009 at 9.00 AM at the Registered Office 'Gnanananda Place', Kalapet, Puducherry - 605 014.

|                                                             |                    |
|-------------------------------------------------------------|--------------------|
| .....<br>Full Name of the Shareholder<br>(in block letters) | .....<br>Signature |
| Folio No. / DP, Client ID                                   |                    |
| .....<br>Full Name of the Proxy<br>(in block letters)       | .....<br>Signature |

**Notes:**

\*Delete if not applicable

- Shareholders who come to attend the meeting are requested to bring their copies of the Annual Report and their proof of identity.
- Shareholders having any queries on accounts are requested to send them 10 days in advance of the date of AGM to the Company to enable it to collect the relevant information.



*Chemfab alkalis limited*

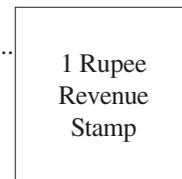
Regd. Office : 'Gnanananda Place' Kalapet, Puducherry - 605 014

**PROXY**

Folio No. / DP, Client ID

I/We\* .....  
of .....being a Member/  
Members\* of Chemfab Alkalis Limited hereby appoint .....  
.....of.....or failing him/her.....  
.....of .....as my/our\* Proxy  
in my/our\* absence to attend and vote for me/us\* and on my/our\* behalf at the Annual General Meeting of the  
Company, to be held at 9.00 AM on 30th April 2009 and at any adjournment thereof.  
As Witness set my/our hand/hands\* this ..... day of .....2009

Signature (s).....



Note : The Proxy must be deposited at the Registered Office of the Company 48 hours before the time fixed for holding the meeting. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

\* Delete if not applicable



