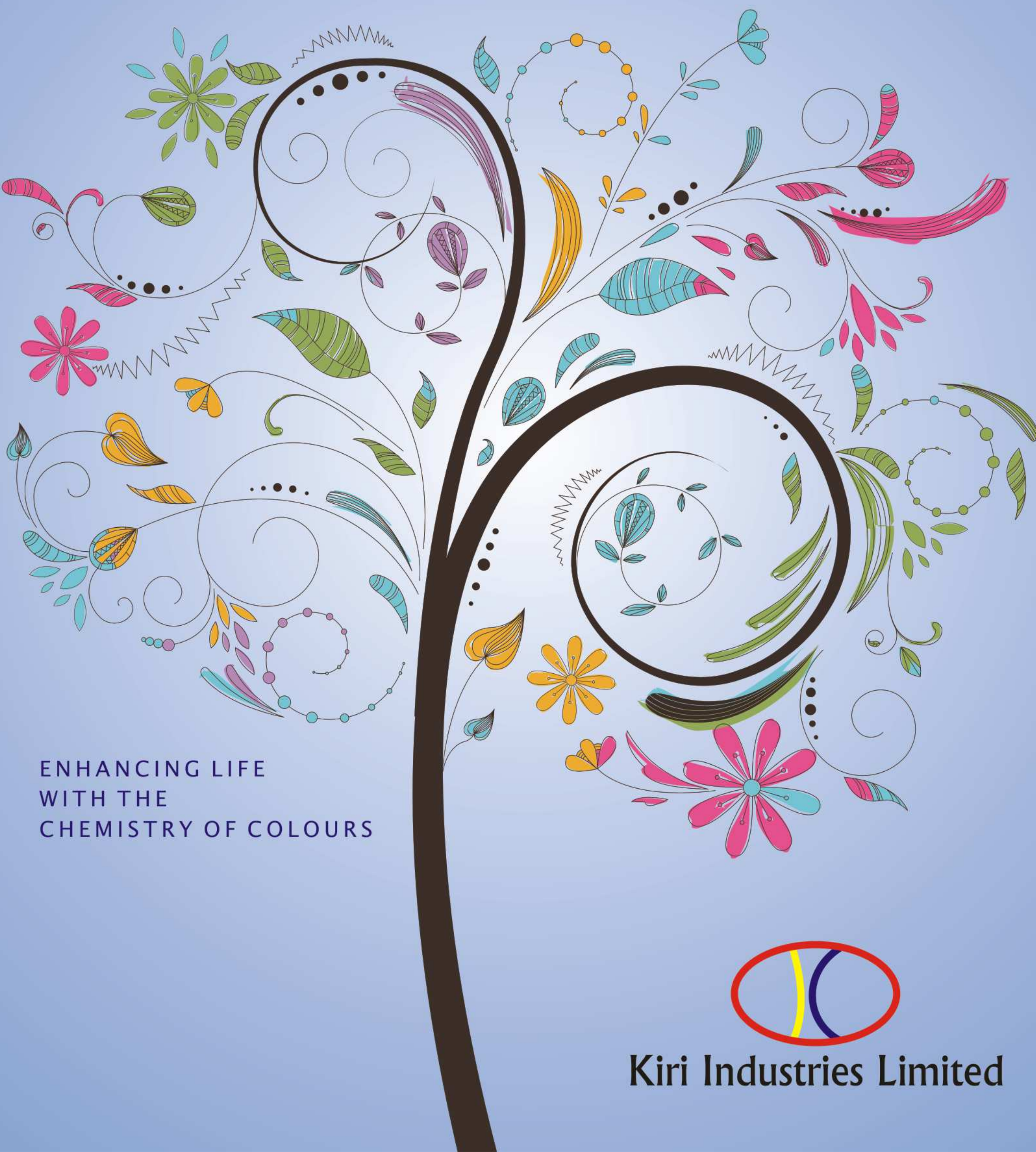
FOURTEENTH ANNUAL REPORT 2011-2012



ENHANCING LIFE
WITH THE
CHEMISTRY OF COLOURS

Kiri Industries Limited

Corporate Information

BOARD OF DIRECTORS

Mr. Pravin A. Kiri	*Chairman*
Mr. Manish P. Kiri	*Managing Director*
Mr. Shanker R. Patel	*Whole Time Director*
Mr. Ajay J. Patel	*Non-Executive Independent Director (up to 14.08.2012)*
Mr. Keyoor M. Bakshi	*Non-Executive Independent Director*
Ms. Harsha B. Bangari	*Nominee Director (Export Import Bank of India)*
Mr. V. Anish Babu	*Nominee Director (IFCI Limited) (w.e.f. 13.02.2012)*

COMPANY SECRETARY

Suresh S. Gondalia

AUDITORS

M/s V. D. Shukla & Co.

Chartered Accountants, Ahmedabad.

REGISTERED OFFICE

7th Floor, Hasubhai Chambers,

Opp. Town Hall, Ellisbridge,

Ahmedabad – 380 006

www.kiriindustries.com

BANKERS

State Bank of India

Bank of India

Oriental Bank of Commerce

Export Import Bank of India

Standard Chartered Bank

Punjab National Bank

Indian Bank

Appeal to Members

The Ministry of Corporate Affairs, Government of India (vide circular Nos. 17/2011 and 18/2011 dated 21st April, 2011 and 29th April, 2011 respectively) has undertaken "Green Initiative in Corporate Governance" by allowing paperless compliances by the Companies to service the documents to its shareholders through electronic mode. As your Company is committed to Green Initiative, members are requested to support this by registering/updating their e-mail addresses immediately.

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Notice

NOTICE is hereby given that the **14th Annual General Meeting** of the Members of KIRI INDUSTRIES LIMITED will be held on Saturday, 29th September, 2012 at 11.30 a.m. at Hall No. S-3, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad- 380 015, to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and Statement of Profit and Loss for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. Shanker R. Patel, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution as required under Section 224(1) of the Companies Act, 1956, for appointment of Auditors:

   "**RESOLVED THAT** M/s. V.D. Shukla & Co., Chartered Accountants, Ahmedabad (Firm Registration Number 110240W) be and are hereby appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors of the Company."

By Order of the Board of Directors
For Kiri Industries Limited

Place : Ahmedabad
Date : 3rd September, 2012

Suresh S. Gondalia
Company Secretary

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 26th September, 2012 to Saturday, 29th September, 2012 (both days inclusive).
3. Members are requested to:
   (i) Intimate immediately any change in their address to the Company's Registrar and Share Transfer Agents Cameo Corporate Services Limited, Subramanian Building No. 1, Club House Road, Chennai- 600 002.
   (ii) Quote Folio No. in all correspondence and in case the shares are held in dematerialized form, quote DP ID and Client ID number.
4. Shareholders intending to require information about the accounts to be approved in the meeting are requested to inform the Company in writing atleast 7 working days in advance of the Annual General Meeting.
5. As a measure of economy, copies of Annual Report will not be distributed at the ensuing Annual General Meeting. Therefore, members are requested to bring their copy of Annual Report in the Meeting. Members/Proxies should bring the Attendance Slip attached herewith, duly filled in all aspects, for attending the Meeting.
6. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. The Securities and Exchange Board of India (SEBI) vide circular ref no. MRD/ DOP/ CIR-05/2007 dated 27th April, 2007 has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company or Registrars and Transfer Agents, Cameo Corporate Services Limited, Subramanian Building No. 1, Club House Road, Chennai- 600 002.
8. Members wishing to claim their previous unclaimed dividends are requested to correspond with the Company or Registrars and Transfer Agent. Members are requested to note that dividends not encashed or claimed within seven years from date of transfer to the Company's Unpaid Dividend Account, will be transferred to the Investor Education and Protection Fund as per Section 205A of the Companies Act, 1956.
9. Copy of the Annual Report has been uploaded on the website of the Company www.kiriindustries.com.

INFORMATION ABOUT DIRECTOR SEEKING REAPPOINTMENT

(As required under clause 49 of the Listing Agreement)

Mr. Shanker Patel, 62, is a Whole-time Director of the Company. He holds a degree in Science and Law from Gujarat University. Presently he is the State Nominee Director of Government of Gujarat in Vadodara Enviro Channel Limited, Member of the Executive Committee, Federation of Industries Association, Ahmedabad and Vatva Industries Association and Senior Vice-President of Gujarat Chamber of Commerce & Industry for the year 2012-13. Mr. Patel has more than 30 years of experience in Dyes and Chemicals business. He does not hold any shares in the Company and is not related to any Director of the Company. Details regarding his Directorship and Membership in other Public Companies are given below:

Name of other Public Companies in which he holds Directorship	Vadodara Enviro Channel Limited
Name of other Public Companies in which he holds Membership of Committee	NIL

Directors' Report

To
The Members,
Kiri Industries Limited

Your Directors have pleasure in presenting 14th Annual Report together with Audited Accounts of the Company for the financial year ended on 31st March, 2012.

REVIEW OF STANDALONE PERFORMANCE:

(Rs. In Lacs)

Particulars	2011-12	2010-11
Net Sales and Other income	53704.08	57658.26
Profit Before Finance Cost, Depreciation, Tax and Prior period adjustments	8735.22	11396.37
Less : Finance cost	5238.86	4389.28
Depreciation	3025.62	1861.55
Prior Period Adjustments	21.54	16.25
Profit before taxation and Extra ordinary Items	449.20	5129.29
Less : Extra Ordinary Items	2184.12	1283.88
(Loss)/Profit Before Taxation	**(1734.92)**	**3845.41**
Less : Provision for Taxation	301.21	770.16
Deferred Tax	322.81	539.88
Add : MAT Credit Entitlement	0.00	(769.65)
Net (Loss)/ Profit After Tax	**(2358.94)**	**3305.02**
Add : Surplus Brought Forward	9463.27	6654.78
Profit Available for Appropriation	**7104.33**	**9959.80**
Appropriation:		
1. Dividend on Equity Shares and tax thereon	0.00	331.23
2. Transferred to General Reserve	0.00	165.30
3. Debenture Redemption Reserve	800.00	0.00
Balance Carried to Balance Sheet	**6304.33**	**9463.27**

During the year under review, the Company has recorded a total income of Rs. 53704.08 Lacs as against Rs. 57658.26 Lacs; a decrease of 6.86%; the performance was impacted as the worldwide economy went through turmoil. Across the world, on account of economic crisis in various countries, demand has gone sluggish and hence we could see under utilization of our dyes production capacities making the same as loss making units. Pile up of inventories on lack of demand has also added to the wounds of the colours business. Profit before Finance Cost, Depreciation, Tax and Prior period adjustments decreased from Rs. 11396.37 Lacs to Rs. 8735.22 Lacs in the reporting year, a decline by 23.35% as compared to the previous financial year. The sharp depreciation of Rupee as against Dollar in FY 2011-12 had added to the adverse impact of the company's performance and for the first time in the company's history it reported a Net Loss. Out of the total Loss for the year 2011-12 of Rs. 2358.94 Lacs as against a Net Profit of Rs. 3305.02 Lacs in the preceding financial year 2010-11, Rs. 2184.12 Lacs is on account of forex losses.

Directors' Report (Contd...)

REVIEW OF CONSOLIDATED PERFORMANCE:

(Rs. In Lacs)

Particulars	2011-12	2010-11
Revenue	**410883.51**	**368182.11**
Cost of Sales	(306568.00)	(273972.70)
Gross Profit	**104315.51**	**94209.41**
Expenditure	(99165.84)	(102878.86)
Other Income	11442.75	7148.10
Profit/(Loss) from Operating activities	**16592.42**	**(1521.35)**
Finance Cost	(21161.58)	(11079.70)
Loss before taxation	**(4569.16)**	**(12601.05)**
Income tax (expenses)/Credit	(2299.86)	1360.59
Loss for the year	**(6869.02)**	**(11240.46)**
Other Comprehensive (Loss)/Income	**(388.31)**	**2424.78**
Total Comprehensive (Loss)	**(7257.33)**	**(8815.68)**

During the financial year under review, the consolidated revenue increased by 11.59% to Rs. 410883.51 Lacs from Rs. 368182.11 Lacs on account of sustained efforts of the Management. The Cost of sales increased by 11.90% as compared to the previous financial year from Rs. 273972.70 Lacs to Rs. 306568.00 Lacs. The gross profit of the Company increased from Rs. 94209.41 Lacs to Rs. 104315.51 Lacs, showing an increase by 10.73% as compared to the previous financial year. The finance cost increased by 91% from Rs. 11079.70 Lacs to Rs. 21161.58 Lacs, mainly on account of increased borrowings. However, the total comprehensive loss for the year has been reduced by 17.68% to Rs. 7257.33 Lacs from Rs. 8815.68 Lacs that of previous financial year.

DIVIDEND:

In view of losses incurred during the financial year 2011-12, your Directors do not recommend any Dividend for the year under review.

NON CONVERTIBLE DEBENTURES:

During the year under review, your Company has issued 400 Secured Redeemable Non Convertible Debentures (NCDs) of Rs. 10.00 Lacs each, aggregating to Rs. 4000.00 Lacs. The NCDs carry coupon rate of 10.75% p. a. and redemption premium of 2% is payable on redemption of NCDs.

SUBSIDIARIES AND CONSOLIDATED FINANCIAL STATEMENTS:

As per General Circular No: 2/2011 dated 8th February, 2011 issued by the Ministry of Corporate Affairs, Government of India, the Company has not attached the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies with the Balance Sheet of the Company. The Company has prepared Consolidated Financial Statements and its subsidiaries in accordance with the International Financial Reporting Standards (IFRS). The same has been attached with the Annual Report of the Company. The summary of financial information of each of the subsidiary companies is attached herewith and forms part of the Annual Report.

The Company will provide the annual accounts of its subsidiary companies and the related detailed information on the specific request made by any shareholder(s). The said annual accounts are open for inspection at the Registered Office of the Company during the business hours on all working days, except Sunday and public holidays.

LISTING:

The Equity Shares of your Company are listed and actively traded on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). The Company has paid annual listing fees to the both stock exchanges for the year 2012-2013. The Secured Redeemable Non Convertible Debentures are listed on the Bombay Stock Exchange Limited.

Directors' Report (Contd...)

DIRECTORS:

Mr. Shanker R. Patel, Director of the Company retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment. A brief profile of Mr. Patel as required under clause 49 of the Listing Agreement is given as Annexure to the Notice.

Mr. Yamal A. Vyas had resigned as a Director w.e.f 15th October, 2011 and Mr. Ajay Patel had resigned as a Director w.e.f. 14th August, 2012. The Board of Directors places on record their sincere appreciation for the valuable services rendered by them during their tenure.

The Board of Directors of the Company has, at its meeting held on 13th February, 2012, appointed Mr. V. Anish Babu as a Nominee Director of IFCI Limited.

AUDITORS AND AUDITORS' OBSERVATION IN AUDIT REPORT:

M/s. V. D. Shukla & Co., Chartered Accountants, Ahmedabad, Statutory Auditors of the Company, retires at the ensuing Annual General Meeting and are eligible for re-appointment. They have issued a certificate stating that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

In respect of the auditors observation regarding default in repayment of principal and interest to banks and financial institutions, it is hereby clarified that the said default in payment was temporary in nature due to mismatches in cash flow on account of delay in realization of receivables from the customers and global slowdown in dyes and chemicals industries.

In respect of auditors observation regarding irregularity in payment of statutory dues, it is hereby clarified that the said delay was due to mismatches in cash flow and tight liquidity position of the Company.

COST AUDITORS:

As per notification F. No. 52/26/CAB-2010, dated January 24, 2012, issued by the Ministry of Corporate Affairs, Government of India, the Company is required to appoint a Cost Auditor for audit of the cost accounting records for the financial year 2012-13. Pursuant to the provisions of Section 233B read with Section 224(1B) of Companies Act, 1956, M/s. V. H. Savaliya & Associates had given their consent to act as Cost Auditors of the Company and accordingly, the Board of Directors at their meeting held on May 14, 2012, appointed them as Cost Auditors of the Company for the Financial Year 2012-13.

The Central Government has approved the appointment of cost auditors for conducting Cost Audit for the financial year 2012-13.

PUBLIC DEPOSITS:

During the year under review, your Company has not accepted any deposits as per the provisions of section 58A of the Companies Act. 1956.

DIRECTORS' RESPONSIBILITY STATEMENT:

In compliance of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the annual accounts for the financial year ended 31st March, 2012, all applicable accounting standards have been followed and no material departure have been made from the same;
2. That the Directors have selected appropriate accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2011-12 and of the loss of the company for the year under review;
3. That the Directors have taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the annual accounts for the financial year ended 31st March, 2012 on a 'going concern' basis.

EMPLOYEE RELATIONS:

The relations with the employees have been cordial throughout the year. Your Directors place on record their sincere appreciation in respect of the services rendered by the employees of the Company at all levels.

PARTICULARS OF EMPLOYEES:

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, is required to be set out in Directors' Report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the report is being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining the particulars may obtain it by writing to the Company Secretary of the Company.

Directors' Report (Contd...)

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNING AND OUTGO:

Additional information on conservation of energy, technology absorption, foreign exchange earning & outgo as required to be disclosed in term of Section 217(1)(e) of the Companies Act, 1956, read together with the Companies (Disclosures of Particulars in the Reports of Board of Directors) Rules, 1988, is given as an annexure to this report.

CORPORATE GOVERNANCE & MANAGEMENT DISCUSSION AND ANALYSIS:

A separate report on the Corporate Governance and Management Discussion and Analysis Report, along with the Certificate from the Statutory Auditors of the Company in compliance with clause 49 with the Listing Agreement is annexed herewith and forms part of this Annual Report.

QUALIFYING PERSONS FOR INTER SE TRANSFER OF SHARES:

As per the information provided by the promoters and as required under regulation 10(1)(a) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 persons constituting "qualifying persons" as defined in the said regulations is given as under:

(1) Mr. Pravin Kiri, (2) Mr. Manish Kiri, (3) Mrs. Aruna Kiri, (4) Mrs. Anupama Kiri, (5) Ms. Amisha Kiri, (6) Master Hemil Kiri, (7) Synthesis International Limited, (8) Kiri Infrastructure Private Limited, (9) DyStar Global Holdings (Singapore) Pte. Ltd. (formerly known as Kiri Holding Singapore Private Limited), (10) Kiri International (Mauritius) Private Limited, (11) Lonsen Kiri Chemical Industries Limited, (12) Kiri Investment and Trading Singapore Private Limited, (13) Kiri Peroxide Limited, (14) S.M.S. Chemicals Co. Limited, (15) APK Advisory Services Private Limited, (16) Chemhub Exim Private Limited, (17) Chemhub Tradelink Private Limited.

ACKNOWLEDGEMENT:

Your Directors wish to place on record their sincere appreciation for the support received from the government, bankers and financial institutions, customers, suppliers, business associates and shareholders and look forward for their continues support in the future. Your Directors would also like to place on record, sincere appreciation for significant contributions made by the employees through their dedication and commitment towards the Company.

For and on behalf of the Board of Directors

Place : Ahmedabad
Pravin A. Kiri

Date : 3rd September, 2012
Chairman

Annexure to the Directors' Report

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:

A. CONSERVATION OF ENERGY:

Sr. No.	Particulars	Particulars
a.	Energy Conservation measures taken	The Company has started using gas as compared to other sources of energy for cost reduction and pollution free operations. The Company has taken all necessary measures for energy conservation so as to maintain the operating cost to the minimum. The Company has steamed based co-generation of 3.5 MW power plant, which has resulted in substantial saving in power cost.
b.	Additional investments and proposals, if any being implemented for reduction of consumption of energy	
c.	Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods	
d.	Total Energy Consumption and energy consumption per units of production	As per Form A Attached.

B. TECHNOLOGY ABSORPTION: As per Form B Attached.

Annexure to the Directors' Report

C. FOREIGN EXCHANGE EARNING AND OUTGO:

(Rs. In Lacs)

Particulars	2011-12	2010-11
Total Foreign Exchange outgo	26.42	253.65
Total Foreign Exchange Earning	15614.83	23978.79

FORM A

Particulars with respect to Conservation of Energy

Power and fuel consumption	2011-12	2010-11
1. Electricity		
Units	15545069	15795844
Total Amount (Rs. in Lacs)	1287.01	1076.97
Rate per Unit (Rs.)	8.28	6.82
2. Diesel		
Units	89200	87000
Total Amount (Rs. in Lacs)	40.52	36.18
Rate per Unit (Rs.)	45.42	41.59
3. Furnace Oil		
Units	405880	601840
Total Amount (Rs. in Lacs)	168.04	161.80
Rate per Unit (Rs.)	41.40	26.88
4. Gas		
Quantity (SCM)	2509918	3690391
Total Amount (Rs. in Lacs)	850.88	853.22
Rate per Unit (Rs./SCM)	33.90	23.12

FORM- B

TECHNOLOGY ABSORPTION

1. Specific areas in which R & D was carried out by the Company 2. Benefits derived as a result of the above (R & D)	The Company is fully equipped with Research and Development facilities and is constantly engaged in developing products as per specification of the customers. The Company is updating manufacturing process of the existing products leading to reduction in process time and cost of production and also in developing new products.
3. Future Plan of Action	The Company will further carry out research and development of other types of Dyes and Dyes Intermediates, to reduce cost of Production, to develop environment friendly and non – hazardous manufacturing process.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION: Nil

For and on behalf of the Board of Directors

Place : Ahmedabad
Date : 3rd September, 2012

Pravin A. Kiri
Chairman

Management Discussion and Analysis Report

1. Industry Structure and Development:

The Chemical Industry is one of the largest and oldest industries. It is crucial for the economic development of any country, which provides products and enabling technical solutions to all sectors of the economy. Global chemical industry has been growing by 3.6% and is currently valued at $3.4 trillion. There has been notable transition in the global arena during the last 2-3 decades in chemical industries with a shifting in production from Europe and USA to Asia specially in China, India, Taiwan, Thailand and Indonesia. India and China are now preferred sources for supply of chemicals and related products to the global market.

The Indian Chemical Industry is growing annually by 3% with global chemical industry, hence India is an emerging focus destination for Chemical Industry. The global chemical companies want to join hands with Indian Business Community. The industry with a large domestic demand potential as compared to other countries, contributes more than 3% of the overall GDP and it helps the overall economic growth and net foreign exchange earnings of the Country. If Indian chemical industries effectively leverage its strengths and manage challenges, adopt their strategies with advanced technology, enhance research capabilities, innovate through backward and forward linkages and utilize production capacities to ensure reduction in dependence on imports, then it can grow at 11% to reach size of $224 billion by 2017.

The Company is a leading global supplier of reactive dyes, dyes Intermediates in various forms like standardized spray dried/tray dried, powder/granular. The Company is also the leading supplier of basic chemicals in India and its product caters to the various industries.

2. Outlook and Opportunities:

The global economic slowdown has forced major players of other markets to divert their supply to India. As a result, the domestic chemical sector is witnessing the double impact of sluggish local demand as well as increased competition from global and domestic players. The Contribution of chemical industry in GDP has declined since past two years due to country's inability to build competitiveness required to meet global challenges, to develop domestic market and through building latest in house research and development and low cost of production. India has emerged as a global supplier of dyestuff, intermediates and other chemicals and the industry is growing with steady demand from domestic and export markets. However with the intention to take a leap forward, the industry has to address the issues concerning clean environment and simultaneously meet competitive pressures from global markets specifically from its nearest neighbour, China.

The Company is a leading player in chemicals industry. By virtue of the large scale facilities and fully integrated operations from manufacturing of basic chemicals, dye intermediaries and dyes, the Company derives benefits of economies of scales and quality control. This along with the Company's wide product range of colours makes it a preferred partner for sourcing of dyes.

Being vertically integrated from basic chemicals to dyes has also helped the Company to de-risk variations in input cost thereby improving margins over a period of time. The Company believes that its high level of modernization, trained work force and managerial expertise results in a consistently high level of productivity.

Global buyers today are increasingly looking to consolidating their sourcing strategy. This would mean sourcing from fewer countries and fewer vendors. The Company, therefore, is a preferred vendor because of its size, integrated operations and modern facilities.

3. Threats, Risks and Concerns:

The Company is a leading manufacturer and suppliers of Dyes, Intermediates and Basic chemicals. The following major factors may hamper growth of the Company:

(a) Volatility in raw material prices especially crude oil and transportation cost can adversely affect the business operations and can thin out profitability of the Company.

(b) The increased interest cost, hence interest servicing could affect the profitability of the Company.

(c) The Company is doing business with various countries, therefore, our business operations and growth is dependent upon the political, climatic, economic, regulatory and social environment of such countries.

(d) The Company is a leading exporter therefore; the volatility in foreign exchange rates may affect our profitability.

(e) Any regulatory change in the government policies and changes in duties and tax, increase in interest rate due to inflation pressure may affect our business operations, financial performance and future growth.

(f) Irregular supply of the raw materials can also affect the business of the Company.

Management Discussion and Analysis Report (Contd...)

4. **Internal control systems and its adequacy:**

The Company has implemented internal control and audit system so as to achieve operational efficiency, optimum utilization of resources and to safeguard and protect the assets of the Company and remain protected against loss from unauthorized use. The Company has appointed independent internal auditors to assist the management for the effective discharge of its responsibilities by furnishing it with findings, observations and pertinent comments, adequacy of internal controls, analysis and recommendations concerning the activities covered for audit and reviewed by it during the year. Findings of internal audit reports and effectiveness of internal control measures is reviewed by the top management and Audit Committee of the Company. The Committee also meets the Statutory Auditors of the Company to ascertain, their views on strengthening the internal control systems in the Company.

5. **Performance of the Company:**

A. **Standalone financial Performance:**

On account of global slow down, depreciation in rupee and high finance cost, performance of the Company has been affected this year.

i) **Net Sales and Other Income:**

During the financial year, the net sales and other income of the Company have gone down by 6.86% from Rs. 57658.26 lacs to Rs. 53704.08 Lacs, which is due to decrease in export turnover on account of global recession in dyes and chemicals industries.

ii) **Expenditure:**

The total expenditure increased by 1.38% from Rs. 52528.97 Lacs to Rs. 53254.88 Lacs for the financial year 2011-12. The increase in total expenditure is mainly attributable to the increase in employee cost, manufacturing & administrative expenses, financial cost and depreciation. The commissioning of new plants has increased depreciation of the current year.

iii) **Employee benefit expenses:**

During the year under review, employee benefit expenses increased by 58.73% from Rs. 1350.08 Lacs to Rs. 2142.92 Lacs on account of recruitment of new employees for expansion project of the Company.

iv) **Finance Cost:**

During the year under review, finance cost increased by 19.36% as compared to the previous financial year. Increase in finance cost from Rs. 4389.28 Lacs to Rs. 5238.86 Lacs was due to increase in term loans for expansion project and increase in interest rate by the banks.

v) **Manufacturing Expenses:**

During the financial year, manufacturing expenses increased by 27.32% from Rs. 3319.18 Lacs to Rs. 4225.87 Lacs of previous financial year, due to increase in power & Fuel cost and repair and maintenance cost as compared to that of previous financial year.

vi) **Profit before Tax and Extraordinary items:**

The Profit before tax and extraordinary items has sharply decreased by 91.24% from Rs. 5129.29 Lacs to Rs. 449.20 Lacs mainly due to increase in employee cost, manufacturing & administrative expenses, financial cost and depreciation and decrease in turnover of the Company as compared to the previous financial year.

vii) **Loss/Profit after tax:**

During the year under review, the Company has incurred a net loss of Rs. 2358.94 Lacs as compared to net profit of Rs. 3305.02 Lacs that of previous financial year, mainly due to derivatives and forward contract loss of Rs. 2184.12 Lacs, increase in finance cost, depreciation, employee cost, manufacturing & administrative cost and decrease in turnover as compared to the previous financial year.

viii) **Non Current Liabilities:**

During the financial year, the Non current liabilities has increased by 6.53% from Rs. 17536.08 Lacs to Rs. 18680.88 Lacs on account of issuance of non convertible redeemable debenture and increase in deferred tax liabilities as compared to the previous financial year.

Management Discussion and Analysis Report (Contd...)

ix) **Current Liabilities:**

During the financial year, the current liabilities has increased by 42.62% from Rs. 37171.39 Lacs to 53012.76 Lacs.

x) **Non Current Assets:**

The Non current assets have increased by 25.78% from Rs. 48095.58 Lacs to Rs. 60492.33 Lacs as compared to the previous financial year mainly on account of addition of fixed assets of expansion project and investment in subsidiary and associate concern.

xi) **Current Assets:**

The Current assets has increased by 4.76% from Rs. 46872.89 Lacs to Rs. 49103.37 Lacs as compared to the previous financial year mainly on account of increase in trade receivables.

B. Consolidated Financial Performance:

i) **Revenue:**

The consolidated revenue for the financial year 2011-12, increased by 11.59% to Rs. 410883.51 Lacs from Rs. 368182.11 Lacs that of previous financial year 2010-11.

ii) **Cost of Sales:**

The Cost of sales for the financial year 2011-12 increased by 11.90% to Rs. 306568.00 Lacs from Rs.273972.70 Lacs that of previous financial year 2010-11.

iii) **Gross Profit:**

The Gross Profit for the financial year 2011-12 increased by 10.73% to Rs. 104315.51 Lacs from Rs. 94209.41 Lacs as compared to the previous financial year 2010-11.

iv) **Other income:**

The other income for the year 2011-12 increased by 60.08% to Rs. 11442.75 Lacs from Rs. 7148.10 Lacs that of previous financial year 2010-11.

v) **Net Loss:**

The net loss for the financial year 2011-12 reduced by 38.89% to Rs. 6869.02 Lacs from Rs. 11240.46 Lacs that of previous financial year 2010-11.

vi) **Non Current Assets:**

The non current assets for the financial year 2011-12 has increased by 21.16% to Rs. 112246.74 Lacs from Rs. 92640.86 Lacs that of previous financial year 2010.11.

vii) **Non Current Liabilities:**

The non current liabilities for the financial year 2011-12 has increased by 17.25% to Rs. 46714.15 Lacs from Rs. 39841.27 Lacs that of previous financial year 2010-11.

viii) **Current Assets:**

The Current assets for the financial year 2011-12 has increased by 6.88% to Rs. 305058.12 Lacs from 285412.01 Lacs that of previous financial year 2010-11.

ix) **Current Liabilities**

The Current liabilities for the financial year 2011-12 has increased by 12.66% to Rs. 278734.16 Lacs from Rs. 247419.76 Lacs that of previous financial year 2010-11.

Cautionary statement:

Certain statements made in this Report relating to the Company's outlook, estimates, predictions etc. may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results may differ from such estimates, whether express or implied. Several factors that could make a difference to Company's operations these include climatic conditions and economic conditions affecting demand and supply, changes in Government regulation tax regimes, natural calamities, etc. over which the Company does not have any direct control.

Report on Corporate Governance

Corporate Governance is globally recognised as a key component for the robust operations of every entity. Sound governance practices and responsible corporate behaviour contribute to long-term performance of companies. Adaptation to changing times is the key to corporate growth and long term survival. Continuous improvement is necessary in the governance practices as well. Better governance practices enable companies to introduce more effective internal controls suitable to the changing nature of business operations, improve performance and also provide an opportunity to increase general awareness of the key activities and policies of the organisation. Indian corporates have adopted better governance practices and have demonstrated openness in their dealings with Stakeholders across the Board. This has been augmented by regulatory authorities introducing and improving governance practices for Indian corporates over the last decade.

Company's Philosophy on Corporate Governance

The Company recognises that transparency, disclosures, financial controls and accountability are the pillars of a good system of Corporate Governance. The Company believes that the Corporate Governance Code of the Listing Agreement prescribes a framework for governance of a business in a corporate framework. The Company's philosophy is to develop superior governance practices in the interest of all Stakeholders in the best possible manner.

1. BOARD OF DIRECTORS:

(a) As on 31st March, 2012, the Board of Directors of the Company ("the Board") consists of optimum combination of Executive and Non-Executive Directors. The Board has seven members comprising of three Executive Directors and four Non-Executive Independent Directors including two Nominee Directors which is chaired by the Executive Director. Therefore, majority of the Board are Non-Executive Independent Directors as per the requirement of Clause 49 of the Listing Agreement.

(b) None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees across all the companies in which he is a Director. Necessary disclosures regarding their Directorship/Membership in other companies as on 31st March, 2012 has been made by each and every Director.

(c) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year 2011-12, attendance at the last Annual General Meeting and the number of Directorship and Committee Chairmanships/ Memberships held by them in other companies are given herein. Other Directorships do not include Alternate Directorships, Directorships of private limited companies, Section 25 Companies and Foreign companies. Chairmanship/ Membership of Board Committees includes only Audit Committee and Shareholders'/Investors' Grievance Committee. None of the Directors are related inter-se except Mr. Pravin A. Kiri and Mr. Manish P. Kiri.

Report on Corporate Governance (Contd...)

Name of Director	Category	No. of Board Meetings attended (Total 6 meetings held during 2011-2012)	Attendance at Last AGM held on 29.09.2011	No. of Directorships in other Companies	No. of Committee positions held in other Companies	
					Chairman	Member
Mr. Pravin A. Kiri - Chairman	Executive (Promoter)	6	Yes	2	—	1
Mr. Manish P. Kiri - Managing Director	Executive (Promoter)	6	Yes	2	1	—
Mr. Shanker R. Patel - Whole-time Director	Executive	6	Yes	1	—	—
Mr. Yamal A. Vyas*	Non-Executive - Independent	2	Yes	NIL	—	—
Mr. Keyoor M. Bakshi	Non-Executive - Independent	6	No	4	—	—
Mr. Ajay J. Patel	Non-Executive - Independent	6	Yes	NIL	—	—
Ms. Harsha B. Bangari - Nominee of EXIM Bank	Non-Executive - Independent	5	No	NIL	—	—
Mr. V. Anish Babu - Nominee of IFCI Ltd@	Non-Executive - Independent	1	N.A.	3	—	1

* Mr. Yamal A. Vyas had ceased as a Director w.e.f. 15th October, 2011.

@ Mr. V. Anish Babu was appointed as a Nominee Director of IFCI Limited w.e.f 13th February, 2012.

(d) Board Procedure:

The Board of Directors meets atleast once a quarter to review the performance and financial results. A detailed Agenda is sent to all the Directors of the Company well in advance. The Chairman/Managing Director briefs the Directors at every Board Meeting on the overall performance of the Company. All major decisions/approvals are taken at the Board Meeting.

The Board of Directors duly met six times during the year on 13th May, 2011, 12th August 2011, 1st September, 2011, 14th November, 2011, 9th January, 2012 and 13th February, 2012.

The time gap between any two board meetings did not exceed four months.

2. AUDIT COMMITTEE:

(a) Composition of Audit Committee as on 31st March, 2012:

Name of the member	Designation	Category
Mr. Keyoor M. Bakshi	Chairman	Non-Executive Independent Director
Mr. Manish P. Kiri	Member	Promoter & Executive Director
Mr. Ajay J. Patel	Member	Non-Executive Independent Director
Ms. Harsha B. Bangari	Member	Non-Executive Independent Director

- Mr. Yamal A. Vyas had resigned as a Director, Chairman of the Audit Committee w.e.f. 15th October 2011 and the same has been approved by Board of Directors at their meeting held on 14th November 2011.
- Mr. Suresh S. Gondalia, Company Secretary & Compliance Officer acts as a Secretary to the Committee.

Report on Corporate Governance (Contd...)

(b) Terms of reference:

The terms of reference of the Audit Committee are in compliance with the provisions of Clause-49 of the Listing Agreement and Section 292A of the Companies Act, 1956. Major terms of reference of the Committee include overseeing the financial reporting process, review of the financial statements, ensuring compliance with the regulatory guidelines, review of internal audit reports, recommending appointment and remuneration of the statutory auditors to the Board of Directors and review adequacy of internal control systems and internal audit function.

(c) Attendance of each member at the Audit Committee meetings held during the year:

Name	Category	No. of Meetings During the year 2011-12	
		Held	Attended
Mr. Keyoor M. Bakshi $	Non-Executive Independent Director	5	5
Mr. Manish P. Kiri	Promoter & Executive Director	5	5
Mr. Ajay J. Patel	Non-Executive Independent Director	5	5
Ms. Harsha B. Bangari#	Non-Executive Independent Director	5	1
Mr. Yamal A. Vyas@	Non-Executive Independent Director	5	2

$ Mr. Keyoor M. Bakshi was appointed as a Chairman w.e.f 14th November, 2011.

Ms. Harsha B. Bangari was appointed as a Member w.e.f. 14th November, 2011.

@ Mr. Yamal A. Vyas had ceased w.e.f 15th October, 2011.

(d) During the year 5(Five) Audit Committee meetings were held on 13th May, 2011, 12th August, 2011, 1st September, 2011, 14th November, 2011 and 13th February, 2012.

3. REMUNERATION COMMITTEE:

(a) Terms of Reference:

The Company has complied with the non-mandatory requirement of Clause 49 by forming a Remuneration Committee.

The Remuneration Committee reviews and recommends remuneration, promotions, incentives, performance bonus, increments etc. for the Executive Directors of the Board and senior managerial personnel of the Company.

(b) Composition of the Committee as on 31st March, 2012:

The Committee comprises of the following members:

Name of the member	Designation	Category
Mr. Ajay J. Patel	Chairman	Non-Executive Independent Director
Mr. Keyoor M. Bakshi	Member	Non-Executive Independent Director
Ms. Harsha B. Bangari@	Member	Non-Executive Independent Director
Mr. Yamal A. Vyas #	Member	Non-Executive Independent Director

@ Ms. Harsha B. Bangari was appointed as a Member w.e.f 14th November, 2011.

Mr. Yamal A. Vyas ceased as a Member w.e.f 15th October 2011.

(c) Shareholding of Non-Executive Directors as on 31st March, 2012:

None of the Non-Executive Directors holds any shares of the Company.

(d) Remuneration Policy:

The Remuneration Committee has been constituted to review remuneration payable to Executive Directors. The Remuneration policy of the Company is directed towards rewarding performance, based on review of achievements on a periodic basis.

Report on Corporate Governance (Contd...)

(e) **Remuneration paid to Directors:**

Executive Directors:

The aggregate value of salary and perquisites paid for the year ended 31st March, 2012 to the Executive Directors are as follows:

(Rs. In Lacs)

Name	Designation	Salary	Perquisites & allowances	Total
Mr. Pravin A. Kiri	Chairman	84.00	Nil	84.00
Mr. Manish P. Kiri	Managing Director	84.00	Nil	84.00
Mr. Shanker R. Patel	Whole-time Director	12.00	Nil	12.00

Executive Directors are not paid sitting fees for attending the meetings of Board of Directors or Committee thereof.

Non-Executive Directors:

Sitting fees paid to Non-Executive Directors during the financial year 2011-12 are as under:

Name	Sitting Fees (in Rs.)
Mr. Yamal A. Vyas	30,000
Mr. Keyoor M. Bakshi	57,500
Mr. Ajay J. Patel	77,500
Ms. Harsha B. Bangari	32,500
Mr. V. Anish Babu	10,000

4. SHAREHOLDERS' / INVESTORS' GRIEVANCES COMMITTEE:

The Shareholders'/Investors' Grievances Committee is empowered to perform the functions of the Board in relation to handling of Shareholders'/Investors' complaints and grievances. The constitution of the Committee consists of Mr. Keyoor M. Bakshi-Chairman, Mr. Manish P. Kiri and Mr. Shanker R. Patel - Members of the Committee. Mr. Suresh S. Gondalia, Company Secretary and Compliance Officer acts as a Secretary to the Committee.

The Committee met from time to time to review redressal of the Shareholders'/Investors' Grievances. The Committee is authorized to:

- Approve share transfers, transmission and remat related requests;
- Specifically look into the redressal of complaints of investors such as non- receipt of Dividend, Notices, Annual Report, etc.; and
- Periodically reviewing complaint status

During the year under review two shareholder/investor complaints were received and same have been resolved and no shareholder/investor complaints were pending either at the beginning of the year or at the end of the year. During the year, 1 (one) Committee meeting was held on 9th January, 2012.

5. SUBSIDIARY COMPANIES:

All subsidiary companies of the Company are managed by their respective Boards having the rights and obligation to manage such companies in the best interest of their stakeholders.

None of the subsidiaries of the Company comes under the purview of the Material Non-Listed Indian Subsidiary as per the criteria given in clause 49 of Listing Agreement.

Report on Corporate Governance (Contd...)

6. GENERAL BODY MEETINGS:

(i) Details of Annual General Meetings held during the last three Financial Years:

Financial Year	Date	Time	Location
2010-11	29th September, 2011	11.30 a.m	H. T. Parekh Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad- 380 015
2009-10	30th September, 2010	11.30 a.m.	Hall No. S-3, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015
2008-09	30th September, 2009	12.30 p.m.	Ahmedabad Textile Mills Association (ATMA) Hall, Ashram Road, Opp. City Gold Cinema, Navrangpura, Ahmedabad- 380 009

Special Resolutions passed at the last three AGMs:

I. At 11th AGM held on 30th September, 2009: –

- Create, offer, issue and allot Equity Shares, GDR, ADR, FCCB, FCD, NCD with warrants, OFI and/or any other instruments and/or combination of instruments with or without detachable warrants to an extent of Rs. 250.00 Crores.
- Increase in the ceiling limit on total holdings of FII from 24% to 49% of the paid up Equity Share capital of the Company pursuant to the provisions of Foreign Exchange Management (Transfer or Issue of Security by a person Resident outside India) Regulations, 2000.

II. At 12th AGM held on 30th September, 2010 :–

- Issue, offer and allot Redeemable Preference Shares up to Rs. 150.00 crores for cash to any one or more of Indian and/or foreign entities or other person(s) whether member of the Company or not.

III At 13th AGM held on 29th September, 2011:- No Special Resolution was passed.

(ii) Extra Ordinary General Meeting:

During the year under review, one Extra Ordinary General Meeting of the members of the Company was held on 29th February, 2012 at 11.30 a.m. at H.T. Parekh Hall, Ahmedabad Management Association, ATIRA Campus, Dr.Vikram Sarabhai Marg, Ahmedabad – 380 015, for issue of Equity Shares and/or convertible securities other than warrants and/ or Non Convertible Debentures with warrants through QIP/ GDRs/ ADRs/ FCCB upto Rs. 300.00 crores, in respect of which proper notice was sent to all the members of the Company. The said resolution was approved by the members of the Company.

7. DISCLOSURES:

- **Legal Compliances:**

  There were no instances of material non-compliances during the year under review. No strictures or penalties were imposed on the Company by SEBI, Stock Exchanges or any statutory authority on any matter related to capital markets during the year.

- **Code of Business Conduct:**

  The Company has adopted a Code of Business Conduct and Ethics based on the business principles of the Company which is already posted on the website of the Company. In compliance with the Code, Directors and senior management of the Company have affirmed their compliance with the Code for the year under review. In our Company, the Board of Directors and employees have a responsibility to understand and follow the Code of Business Conduct. A declaration to this effect signed by the Managing Director is attached herewith and forms part of this Annual Report.

- **Related Party Transactions:**

  Transactions with the related parties during the year were placed before the Audit Committee for review and the same were submitted to the Board for their approval. Adequate care was taken to ensure that potential conflict of interest did not harm the interests of the Company at large.

- **Compliance with Corporate Governance Code:**

  The Company has complied with all the mandatory requirements laid down by the Corporate Governance Code. The Company has also complied with the non mandatory requirement by setting up a Remuneration Committee as per Clause 49 of the Listing Agreement.

Report on Corporate Governance (Contd...)

8. MEANS OF COMMUNICATION:

The unaudited quarterly financial results of the Company are generally published in the English newspaper circulated in India and regional language newspaper. The results are also displayed on the Company's website www.kiriindustries.com.

9. GENERAL SHAREHOLDER INFORMATION:

1.	AGM Date, time and Venue	Date : Saturday, 29th September, 2012 Time : 11.30 a.m. Venue : Hall no. S-3, Ahmedabad Management Association ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad- 380 015
2.	Financial year	Financial year : April 1, 2012 to March 31, 2013
3.	Book Closure Date	Wednesday, 26th September, 2012 to Saturday, 29th September, 2012 (both days inclusive)
4.	Listing on Stock Exchange	1) The Bombay Stock Exchange Limited First Floor, Rotunda Building, B.S. Marg, Fort, Mumbai-400 001. 2) The National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra(E), Mumbai 400 051. The Company has paid Annual Listing Fees for the year 2012-13 to the Stock Exchanges.
5.	Stock Codes/Symbol	1. The Bombay Stock Exchange Limited : 532967 2. The National Stock Exchange of India Limited : KIRIINDUS
6.	ISIN	INE415I01015
7.	Plant Locations	Presently the Company is engaged in the business of Manufacturing of Dyes, Dyes Intermediates and Basic Chemicals at its following plants: • **Dyestuff Division:** Plot No. 299/1/A&B & 10/8 Near Water Tank, Phase-II, GIDC, Vatva, Ahmedabad 382 445, Gujarat, India • **Intermediates Division:** Block No. 396 & 390A Village: Dudhwada, Karakhadi, Tal: Padra, Dist: Vadodara, Gujarat, India • **Basic Chemicals Division:** Block No. 552/A, Village: Dudhwada, Karakhadi, Tal: Padra, Dist: Vadodara, Gujarat, India
8.	Address for Correspondence	Company Secretary & Compliance Officer Kiri Industries Limited 7th Floor, Hasubhai Chambers, Opp. Town Hall, Ellisbridge, Ahmedabad – 380 006 **Tel**: +91-79-2657 4371-73; **Fax**: +91-79-2657 4374; **Email id:** investor@kiriindustries.com and info@kiriindustries.com **Website:** www.kiriindustries.com
9.	Registrar and Share Transfer Agent	Cameo Corporate Services Limited, Subramanian Building No. 1, Club House Road, Chennai- 600 002 **Phone No.:** +91-44-2846 0390 **Fax No.:** +91-44-2846 0129 **Email:** cameo@cameoindia.com **Website:** www.cameoindia.com
10.	Share Transfer System	Share Transfer requests which are received in physical form are processed and the share certificates are returned within a period of 15 days from date of receipt, subject to the documents being in order and complete in all aspects.

Report on Corporate Governance (Contd...)

11. Dematerialization of Shares

The Company has entered into an agreement with NSDL & CDSL for Dematerialization of Shares. Equity Shares of the Company can be traded in dematerialised form only by all the investors. The Company has entered into an agreement and established connectivity with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

10. Outstanding Financial Instruments which have an impact on Equity:

The Company has not issued any GDRs/ADRs/warrants or any convertible instruments as on date.

11. MARKET PRICE DATA:

High, low and number of shares traded during month of April, 2011 to March, 2012 on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited are as follows:

	The Bombay Stock Exchange Limited			The National Stock Exchange of India Limited		
Month	High (Rs.)	Low (Rs.)	Total No. of Shares Traded	High (Rs.)	Low (Rs.)	Total No. of Shares Traded
April-11	310.80	238.00	6,29,292	311.00	237.90	11,86,410
May-11	278.00	225.00	14,80,070	277.50	225.00	24,85,199
June-11	244.50	198.00	10,10,602	244.90	197.40	18,59,729
July-11	222.80	158.00	6,68,626	223.00	157.20	12,41,752
August-11	192.80	115.10	15,00,354	193.00	113.75	34,61,967
September-11	167.80	129.05	4,58,320	168.00	128.80	10,22,781
October-11	135.00	119.10	2,67,478	137.00	119.00	5,93,802
November-11	127.90	77.30	2,40,685	128.00	77.00	5,50,579
December-11	84.40	50.00	2,44,992	85.60	48.10	4,11,638
January-12	94.80	58.30	4,05,063	95.90	58.30	5,27,039
Feburary-12	107.90	78.65	2,04,943	104.45	79.00	4,61,066
March-12	104.00	86.25	68,343	104.20	83.10	2,07,325

12. SHAREHOLDING PATTERN AND DISTRIBUTION SCHEDULE:

A. Shareholding Pattern as on 31st March, 2012:

Sr. No.	Categories	No. of Shares	% of Total Holding
1	Promoters and Promoter Group	11044054	58.13
2	Indian Public	2315336	12.18
3	Financial Institutions / Banks	1575366	8.29
4	Bodies Corporate	1477739	7.78
5	Clearing Members	5077	0.03
6	Foreign Nationals	131140	0.69
7	Hindu Undivided Family	71232	0.37
8	Non Resident Indians(NRIs)	32369	0.17
9	FIIs	2347740	12.36
	Total	**19000053**	**100.00**

Report on Corporate Governance (Contd...)

B. Distribution Schedule as on 31st March, 2012:

No. of Shares	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Total Shares
1-1000	5591	73.27	229031	1.20
1001 - 5000	1492	19.55	372102	1.96
5001 - 10000	253	3.32	192077	1.01
10001 - 20000	116	1.52	171787	0.90
20001 - 30000	42	0.55	105718	0.56
30001 - 40000	17	0.22	61794	0.33
40001- 50000	15	0.20	69095	0.36
50001- 100000	23	0.30	167251	0.88
100001 and above	82	1.07	17631198	92.80
Total	**7631**	**100.00**	**19000053**	**100.00**

13. POSITION OF SHARES AS ON 31ST MARCH, 2012:

The Percentage of Shares held in NSDL, CDSL and in Physical Form are given below:-

Mode of Holding	Percentage of Shares
NSDL	86.53
CDSL	12.93
Physical	0.54

For and on behalf of Board of Directors

Date : 3rd September, 2012
Place : Ahmedabad

Pravin A. Kiri
Chairman

CONFIRMATION ON CODE OF CONDUCT

To the Members of Kiri Industries Limited

This is to confirm that the Board has laid down a code of conduct for all Board members and senior management of the Company. It is further confirmed that all Directors and senior management personnel of the Company have affirmed compliance with the Code of Conduct of the Company as at 31st March, 2012, as envisaged in Clause 49 of the Listing Agreement.

Date : 3rd September, 2012
Place : Ahmedabad

Manish P. Kiri
Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Kiri Industries Limited

We have examined the compliance of conditions of Corporate Governance by Kiri Industries Limited ("the Company"), for the year ended 31st March, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with 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 and based on the representations made 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 such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For V. D. Shukla & Co.
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 3rd September, 2012

Auditors' Report

To
The Members,
KIRI INDUSTRIES LIMITED,

We have audited the attached Balance Sheet of KIRI INDUSTRIES LIMITED as at 31st March, 2012 and Statement of Profit & Loss and the Cash Flow statement for the year ended on that date. 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.

1 We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any 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 over all presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

2 As required by the Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government in terms of Section 227(4 A) of the Companies Act , 1956 , we annex hereto a Statement on the matters specified in paragraphs 4 and 5 of the said Order.

3 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 accounts as required by law have been kept by the Company so far as it appears from our examination of the books of the Company.

(iii) The Balance Sheet, Statement of Profit and Loss and Cash Flow statement dealt with by this report are in agreement with the books of accounts of the Company.

(iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub Section 3(C) of Section 211 of the Companies Act, 1956 except in the cases specifically mentioned in our notes nos (1.11) and (49).

(v) Based on the representations made by the Directors as on 31st March, 2012 and taken on record by the Board of Directors of the Company and the information and explanations given to us, none of the Directors is, as at 31st March, 2012 prima facie disqualified from being appointed as a Director in terms of clause (g) of sub Section (1) of Section 274 of the Companies Act, 1956.

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the other notes thereon give the information required by the Companies Act , 1956 in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India.

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

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

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

For V. D. Shukla & Co.
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 17th August, 2012

Annexure to the Auditors' Report

ANNEXURE REFERRED TO IN PARAGRAPH 2 OF OUR AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31st MARCH, 2012 OF KIRI INDUSTRIES LIMITED

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that:-

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

b) As explained to us, fixed assets, according to the practice of the Company, are physically verified by the management at reasonable intervals, in a phased verification programme, which in our opinion, is reasonable looking to the size of the Company and the nature of its assets. According to the information and explanations given to us, no major discrepancies were noticed on physical verification.

c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern status.

(ii) a) As explained to us, inventories have been physically verified during the period by the management.

b) The procedures explained to us, which are followed by the management for physical verification of inventories, are in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;

c) On the basis of our examination of the inventory records of the Company, we are of the opinion that , the Company is maintaining proper records of its inventory. The discrepancies which were noticed on physical verification of inventory as compared to book records, have been properly dealt with in the books of accounts.

(iii) a) The Company has granted unsecured loan to a Company covered in the register maintained under Section 301 of the Companies Act, 1956. We are of the opinion that the terms and conditions of loan are not prima facie prejudicial to the interest of the Company. The maximum amount involved during the year was Rs. 868.47 lacs and the period-end balance of the loan granted was Rs. 741.52 lacs. The terms of repayment of principal and interest have not been stipulated and hence, the question of overdue amount does not arise.

b) The Company has not taken unsecured loans from any Company covered in the register maintained under Section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures 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. No major weaknesses in internal control had come to our notice.

(v) a) On the basis of audit procedure performed by us, and according to the information, explanation and representation given to us, we are of the opinion that, the transaction in which Directors were interested, and which were required to be entered in the register under Section 301 of the Companies Act, 1956, have been so entered;

b) In our opinion and according to our information and explanation given to us, the transactions made in pursuance of such contracts or arrangements entered in the register under Section 301 of the Companies Act, 1956, in respect of any party during the period have been made at price which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public, and therefore the questions of compliance of the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder and the directives issued by the Reserve Bank of India does not arise. No order has been passed by Company Law Board, Reserve Bank of India or any Court or any other Tribunal.

(vii) According to the information and explanation given to us and on the basis of such checks as we considered appropriate, the Company has an internal audit system commensurate with its size and nature of its business. The Company has appointed a firm of Chartered Accountants for Internal Audit during the year under review.

(viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the notification of the Central Government for maintenance of the cost records u/s 209(1)(d) of the companies Act, 1956 and on the basis of such review, we are of the opinion, that prima-facie, the prescribed accounts and records have been made and maintained. We have not, however, carried out a detailed examination of the same.

Annexure to the Auditors' Report (Contd...)

(ix) a) According to its records it is observed that the Company is irregular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other material statutory dues with the appropriate authorities.

b) According to the information and explanations given to us, there are some dues in respect of Income Tax but there are no dues in respect of Value Added Tax, Excise Duty, Customs Duty, Wealth Tax, Service Tax, Cess and other statutory dues are outstanding as on 31st March, 2012 which are due for a period of less than six months from the date they became due. There are no disputes with any of the above authorities.

c) The disputed statutory dues that have not been deposited on account of disputed matters pending before appropriate authorities are as under;

Sr. No	Name of the Statute	Name of the Dues	Section under which dispute is pending	Period to which amount relates (FY)	Amount (Rs. In Lacs)	Forum where the dispute is pending
1	The Income Tax Act, 1961	Income Tax	Regular Assessment u/s 143(3)	2001-02	108.21	High Court
				2003-04	193.17	Income Tax Appellate Tribunal
				2006-07	58.59	Income Tax Appellate Tribunal
				2008-09	109.33	Commissioner of Income Tax (Appeals)
				2009-10	21.18	Commissioner of Income Tax (Appeals)
			Penalty u/s 271(1)(c)	2003-04	139.02	Commissioner of Income Tax (Appeals)
				2006-07	53.68	Commissioner of Income Tax (Appeals)
2	The Central Excise Act, 1944	CENVAT Refund		2009-10	341.08	High court
				2009-10	83.74	Central Excise and Service Tax Appellate Tribunal
				2010-11	255.23	Central Excise Commissioner Appeal
				2010-11	153.73	High Court
		Similar Goods		2010-11	344.00	Central Excise Commissioner Appeal
				2011-12	4.09	Central Excise Commissioner Appeal
		Differential Duties		2011-12	21.40	Central Excise Commissioner Appeal
				2008-09	287.49	Central Excise and Service Tax Appellate Tribunal

Note : Out of the above the Income Tax liabilities amounting to Rs. 139.02 lacs for A.Y. 2003-04 and of Rs. 53.68 lacs for A.Y. 2006-07 in respect of penalty u/s 271(1)(c) of the Income Tax Act, 1961 have been deleted following the order of CIT(Appeals) after 31st March, 2012. To this extent, the demand gets reduced.

Annexure to the Auditors' Report (Contd...)

(x) The Company has neither the accumulated losses at the end of the financial period nor it has incurred cash losses in such financial year under report and in the financial year immediately preceding such financial year also.

(xi) In our opinion and according to the information and the explanations given to us, during the current year the Company has defaulted in repayment of its dues towards principal and interest to various banks and financial institution on due dates to the extent and for the period as given in note No. 4. Also the working capital limits have been overdrawn to the extent of Rs. 3569.66 lacs.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) As informed to us, the provisions of any special statute applicable to chit fund are not applicable to the Company.

(xiv) The Company is not dealing or trading in shares, securities, debentures and other investments, therefore, the question of maintaining records in respect of transactions and contracts does not arise.

(xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for the loans taken by others from banks are not prejudicial to the interest of the Company.

(xvi) On the basis of the records examined by us and relying on the information compiled by the Company for correlating the funds raised to the end use of term loans, we report that the Company has generally applied the term loans for the purposes for which they were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the Financial Statements of the Company and after placing reliance on the reasonable assumptions made by the Company for classification of long term and short term usages of funds, we are of the opinion that, prima-facie, as at the close of year, short term funds with negligible exceptions have not been utilised for long term purposes, and vice-e-versa.

(xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

(xix) The Company has issued Rs. 4,000.00 lacs Non-convertible Redeemable debentures during the year which are secured by way of first pari-passu charge on fixed assets of Intermediate plant and Basic Chemicals Plant of the Company and personal guarantee of Promoters/Directors of the Company.

(xx) The Company has not raised any money by way of public issue during the year.

(xxi) According to the information and explanations given to us, and to the best of our knowledge and belief, no fraud on or by the Company, has been noticed or reported by the Company during the year.

For V. D. Shukla & Co.
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 17th August, 2012

Balance Sheet as at 31st March, 2012

(Rs. in Lacs)

Particulars	Notes	As At 31st March, 2012		As At 31st March, 2011	
EQUITY AND LIABILITIES					
SHAREHOLDERS' FUNDS					
Share Capital	2	1,900.01		1,900.01	
Reserves and Surplus	3	36,002.05		38,360.99	
			37,902.06		40,261.00
NON-CURRENT LIABILITIES					
Long-term borrowings	4	16,449.69		15,627.70	
Deferred tax liabilities (Net)	5	2,231.19		1,908.38	
			18,680.88		17,536.08
CURRENT LIABILITIES					
Short-term borrowings	6	31,839.23		21,552.36	
Trade payables	7	9,728.52		10,327.76	
Other current liabilities	8	11,309.07		4,921.58	
Short-term provisions	9	135.94		369.69	
			53,012.76		37,171.39
Total			**109,595.70**		**94,968.47**
ASSETS					
NON-CURRENT ASSETS					
Fixed assets					
Tangible assets	10	29,534.54		26,973.67	
Capital work-in-progress	10	9,480.69		1,686.18	
			39,015.23		28,659.85
Non-current investments	11	16,636.08		14,330.49	
Long-term loans and advances	12	3,685.82		3,988.84	
Other non-current assets	13	1,155.20		1,116.40	
			21,477.10		19,435.73
CURRENT ASSETS					
Inventories	14	15,867.36		15,758.92	
Trade receivables	15	26,590.17		21,175.41	
Cash and cash equivalents	16	314.78		1,053.43	
Short-term loans and advances	17	6,144.79		8,727.83	
Other current assets	18	186.27		157.30	
			49,103.37		46,872.89
Total			**109,595.70**		**94,968.47**
Significant Accounting Policies	1				

The Note numbers 29 to 50 form integral part of the Financial Statements

As per our separate report of even date attached herewith.

For V. D. Shukla & Co.,
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 17th August, 2012

For and on behalf of the Board of Directors of Kiri Industries Limited

Pravin A. Kiri
Chairman

Manish P. Kiri
Managing Director

Suresh S. Gondalia
Company Secretary

Place : Ahmedabad
Date : 17th August, 2012

Statement of Profit & Loss for the Year Ended on 31st March, 2012

(Rs. in Lacs)

Particulars	Note No.	2011 - 2012	2010 - 2011
Revenue from Operations	19	56,556.70	59,813.86
Less : Excise duty		3,102.90	2,571.68
Net Revenue from Operations		53,453.80	57,242.18
Other Income	20	250.28	416.08
Total Revenue		**53,704.08**	**57,658.26**
Expenses:			
Cost of Materials Consumed	21	36,178.19	32,402.13
Purchase of Stock-in-Trade		1,468.63	9,168.89
Changes in Inventories of Finished goods, Work-in-Progress & Stock-in-Trade	22	(1,060.38)	(1,655.84)
Employee Benefits Expense	23	2,142.92	1,350.08
Finance Costs	24	5,238.86	4,389.28
Depreciation		3,025.62	1,861.55
Other Expenses			
Administrative Expenses	25	891.87	474.61
Manufacturing Expenses	26	4,225.87	3,319.18
Selling & Distribution Expenses	27	1,121.76	1,202.84
Prior Period Adjustments	28	21.54	16.25
Total Expenses		**53,254.88**	**52,528.97**
Profit before extraordinary items and tax		**449.20**	**5,129.29**
Less : Extraordinary Items		2,184.12	1,283.88
(Loss) / Profit Before Tax		**(1,734.92)**	**3,845.41**
Tax Expense			
Current Tax		-	770.16
Short Provision of earlier years		301.21	-
MAT Credit Entitlement		-	(769.65)
Net Current Tax		301.21	0.51
Deferred Tax		322.81	539.88
(Loss) / Profit for the year		**(2,358.94)**	**3,305.02**
Earning per Equity Share			
Basic		(12.42)	19.86
Diluted		(12.42)	19.86
Significant Accounting Policies	1		

The Note numbers 29 to 50 form integral part of the Financial Statements

As per our separate report of
even date attached herewith.

For V. D. Shukla & Co.,
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 17th August, 2012

For and on behalf of the Board of Directors of
Kiri Industries Limited

Pravin A. Kiri
Chairman

Manish P. Kiri
Managing Director

Suresh S. Gondalia
Company Secretary

Place : Ahmedabad
Date : 17th August, 2012

Cash Flow Statement for the Year Ended on 31st March, 2012

(Rs. in Lacs)

PARTICULARS	2011-2012		2010-2011	
A. Cash Flow from Operating Activities :				
Net Profit before Tax and Extraordinary items	449.20		5,129.30	
Adjustment for				
- Depreciation	3,025.62		1,861.55	
- Interest & Dividend Income	(250.28)		(136.71)	
- Interest charged to P & L	5,238.86		4,389.28	
- Loss on Sales of Fixed Assets	-		0.71	
- Profit on Sale of investments	-		8.76	
Operating Profit before working capital changes:		8,463.40		11,252.89
Adjustment for :				
- Trade Receivables	(5,414.76)		(14,588.88)	
- Inventories	(108.44)		(1,212.58)	
- Long Term Advances & Other Non Current Assets	264.22		(948.20)	
- Short Term Advances & Other Current Assets	2,554.06		(3,725.65)	
- Trade Payables	(599.25)		2,520.16	
- Other Current Liabilities & Short Term Provisions	5,953.74		1,240.11	
- Deferred Tax Liability	322.81	2,972.38	539.88	(16,175.16)
Cash Generated from Operations		11,435.78		(4,922.27)
- Taxes paid/ provision & Deferred tax		(624.02)		(540.40)
Net Cash Flow from Operations		**10,811.76**		**(5,462.67)**
B. Cash Flow from Investment Activities :				
- Purchase of Fixed Assets		(13,380.98)		(12,751.00)
- Sale of Fixed Assets		-		0.45
- Interest and Dividend Income		250.28		136.71
- Investment		(2,305.59)		(2,512.51)
Net cash flow from Investing Activities		**(15,436.29)**		**(15,126.35)**
C. Cash Flow from Financing Activities :				
- Issue of Equity Share Capital		-		22,764.61
- Proceeds from Non Convertible Debenture		4,000.00		-
- Proceeds from Long term Borrowings		7,003.30		9,751.73
- Proceeds from Short term Borrowings		21,214.19		14,251.51
- Interest paid		(5,238.86)		(4,389.28)
Exceptional Items		(2,184.12)		(1,283.88)
Repayment of Long Term Borrowings		(9,981.30)		(1,606.77)
Repayment of Short Term Borrowings		(10,927.33)		(18,175.54)
Dividend and Corporate Dividend Tax Paid		-		(331.24)
Net Cash Flow from Financing Activities		**3,885.88**		**20,981.14**
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)		(738.65)		392.12
Cash and Cash Equivalents as at (Opening)		1,053.43		661.31
Cash and Cash Equivalents as at (Closing)		314.78		1,053.43

As per our separate report of
even date attached herewith.

For V. D. Shukla & Co.,
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 17th August, 2012

For and on behalf of the Board of Directors of
Kiri Industries Limited

Pravin A. Kiri
Chairman

Manish P. Kiri
Managing Director

Suresh S. Gondalia
Company Secretary

Place : Ahmedabad
Date : 17th August, 2012

Notes to the Financial Statements

1) SIGNIFICANT ACCOUNTING POLICIES:

1.1) **Accounting Convention:**

The financial statements are prepared under the historical cost convention on the "Accrual Concept" of accountancy in accordance with the accounting principles generally accepted in India and comply with the accounting standards issued by the Institute of Chartered Accountants of India to the extent applicable and with the relevant provisions of the Companies Act, 1956.

1.2) **Use of Estimates:**

The preparation of the Financial statements requires estimates and assumption to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known / materialized.

1.3) **Accounting for Fixed Assets:**

Fixed Assets are stated at cost of acquisition and subsequent improvements net of CENVAT credit and VAT but including freight and other incidental expenses related to acquisition, installation and foundation less accumulated depreciation. Direct expenses as well as pro rata identifiable indirect expenses on the projects during construction period are capitalized and apportioned on fixed assets on the date of commencement of commercial production.

1.4) **Depreciation Accounting:**

Depreciation has been provided on straight line method and at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. Depreciation is not recorded on capital work-in-progress until construction and installation are complete and asset is ready for its intended use. Capital work-in-progress includes capital advances.

1.5) **Impairment of Assets:**

An assets is treated as impaired when the carrying cost of assets exceeds its recoverable value and impairment loss is charged to Statement of Profit and Loss in the period in which assets is identified as impaired. The impairment loss, if any recognized in prior accounting periods is reversed if there has been a changed in the estimate of recoverable amount.

1.6) **Borrowing Cost:**

Borrowing Costs that are attributable to the acquisition, construction or production of qualifying fixed assets are capitalized as part of the cost of such assets. All other borrowing costs are recognized as expenses in the period in which they are incurred.

1.7) **Preliminary and Pre-operative Expenses:**

Preliminary and pre-operative expenses are written off in 10 equal installments.

1.8) **Accounting for Investments:**

Current investments are carried at the lower of cost and fair value computed category wise. Long term investments are stated at cost. Provision for diminution in the value of long term investments is made, only if, in the opinion of the management, such a decline is regarded as being other than temporary.

1.9) **Valuation of Inventories:**

The inventories are valued as under:

a. Raw materials are valued at lower of cost excluding excise duty and other taxes or market value.

b. Work in process is valued at lower of cost or market value. Material lying on shop floor and awaiting packing and sending in bonded warehouse have been treated as work-in-process.

c. Semi finished goods are valued at lower of cost to the stage of completion or market value.

d. Finished goods are valued at lower of cost or market value.

e. Stock of packing materials is valued at lower of cost or market value.

Notes to the Financial Statements (Contd...)

1.10) **Revenue Recognition:**

Sales

Sales are recognised when goods are supplied and are recorded net of trade discounts, rebates and Value Added Tax.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividends

Revenue is recognised when the shareholders' right to receive payment is established at the Balance Sheet date. Dividend from subsidiaries is recognized even if same are declared after the Balance Sheet date but pertains to period on or before the date of Balance Sheet as per the requirement of Schedule VI of the Companies Act, 1956.

Export Incentives

Revenue is recognized on an accrual basis. The revenue is accounted on a going concern basis.

1.11) **Accounting for effects of changes in foreign exchange rates:**

Outstanding balances of foreign currency monetary items at the year end are restated at the exchange rate prevailing at the year end. The exchange rate difference arising there from has been recognised as income or expense in the current year's Statement of Profit and Loss. Foreign currency translations of revenue nature are translated into Indian Rupees at the exchange rate prevailing on the date of financial transactions.

In case of forward contracts, the difference between the forward rate and the exchange rate, being as premium or discount, at the inception of a forward exchange contract is recognized as income or expense over the life of the contract. Exchange differences on such contracts are recognized in the Statement of Profit and Loss in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the period.

1.12) **Accounting for Retirement Benefits :**

i) Contributions to Employees' Provident Fund remitted to statutory authority are charged to revenue.

ii) Liability on leave encashment to employees is provided on mercantile basis.

iii) The Company has made an arrangement with Life Insurance Corporation of India / State Bank of India for covering gratuity liability covering past services as well.

1.13) **Accounting for Taxes on Income :**

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax resulting from "timing difference" between taxable incomes and accounting income is accounted for, using the tax rates and tax laws that have been enacted or substantially enacted as on the Balance Sheet date.

1.14) **Provisions, Contingent Liabilities and Contingent Assets :**

Contingent Liabilities being a possible obligation as a result of past events the existence of which will be confirmed by the occurrence or non-occurrence of one or more future events not wholly in the control of the Company. Contingent Liabilities are not recognized in the accounts. Further the nature of such liabilities, an estimate of its financial effect, etc. is disclosed as a part of Notes to Accounts.

1.15) **Lease Rentals:**

Operating lease is charged to Statement of Profit and Loss on accrual basis.

Notes to the Financial Statements (Contd...)

2 **SHARE CAPITAL** **(Rs. in Lacs)**

Particulars	As At 31.03.2012	As At 31.03.2011
Authorised Share Capital		
5,00,00,000 Equity Shares (Previous year 5,00,00,000) of Rs 10/-each	5,000.00	5,000.00
15,00,00,000 Preference Shares (Previous year 15,00,00,000) of Rs 10/-each	15,000.00	15,000.00
	20,000.00	20,000.00
Issued, Subscribed & Paid-up Capital		
19,000,053 Equity Shares (Previous year 19,000,053) of Rs 10/- each fully paid up	1,900.01	1,900.01
Total	**1,900.01**	**1,900.01**

The reconciliation of the number of shares outstanding as at 31.03.2012 and 31.03.2011 is set out below:

Particulars	As at 31.03.2012	As at 31.03.2011
Number of shares at the beginning	19,000,053	15,000,053
Add: Equity Shares issued during the year	-	4,000,000
Number of shares at the end	19,000,053	19,000,053

The details of shareholders holding more than 5% shares as at 31.03.2012 and 31.03.2011 are set out below :

Name of the shareholders	No. of shares	% held as at 31.03.2012	No. of shares	% held as at 31.03.2011
Mr. Pravin Kiri	7638843	40.20	7620843	40.11
Mr. Manish Kiri	1859391	9.79	1865211	9.82
GMO Emerging Markets Fund	1231731	6.48	1062452	5.59

Notes to the Financial Statements (Contd...)

3 RESERVES AND SURPLUS (Rs. in Lacs)

Particulars	As At 31.03.2012	As At 31.03.2011
- Debenture Redemption Reserve		
Opening Balance	-	-
Add : Transfer from Statement of Profit and Loss	800.00	-
Closing Balance	800.00	-
- Security Premium		
Opening Balance	28,431.92	6,067.31
Addition during the year	-	23,502.00
Less : QIP Expense	-	1,137.39
Closing Balance	28,431.92	28,431.92
- General Reserve		
Opening Balance	465.80	300.50
Add : Transfer from Profit & Loss account	-	165.30
Closing Balance	465.80	465.80
- Surplus		
Opening Balance	9,463.27	6,654.78
Add : Net profit after tax transferred from Statement of Profit and Loss	(2,358.94)	3,305.02
Amount available for appropriation	7,104.33	9,959.80
Appropriation		
Debenture Redemption Reserve	800.00	-
Final Dividend	-	285.00
Dividend Distribution Tax	-	46.23
Amount Transferred to General Reserve	-	165.30
Closing Balance	6,304.33	9,463.27
Total	**36,002.05**	**38,360.99**

4 LONG TERM BORROWINGS (Rs. in Lacs)

Particulars	As At 31.03.2012	As At 31.03.2011
Secured :		
Non Convertible Debentures	3,800.00	-
Term Loans from Banks & Others	12,578.13	15,531.39
Hire Purchase Loans	71.56	96.31
Total	**16,449.69**	**15,627.70**

Notes to the Financial Statements (Contd...)

The details of security of the long term borrowings are set out below :

Sr. No.	Description of Assets/Security	Security given to
1	All that piece or parcel of lease hold Plot No. 299/1/A, admeasuring about 3767 sq. mts., alongwith factory shed building, Plant and Machinery standing thereon of Vatva Industrial Estate of Gujarat Industrial Development Corporation, situated upon land bearing Survey No. 416/p and 410/p of mouje: Vinzol, Taluka: Dascroi, Registration District Ahmedabad and Sub-District Ahmedabad-5 (Narol)	First pari passu charge for securing working capital facilities from consortium banks and Term loan of State Bank of India, Punjab National Bank and Export Import Bank of India.
2	All that piece or parcel of lease hold Plot No. 299/1/B, admeasuring about 2050 sq. mts., alongwith factory shed building, Plant and Machinery standing thereon of Vatwa Industrial Estate of Gujarat Industrial Development Corporation, situated upon land bearing Survey No. 416/p and 410/p of mouje: Vinzol, Taluka: Dascroi, Registration District Ahmedabad and Sub-District Ahmedabad-5 (Narol)	First pari passu charge for securing working capital facilities from consortium banks and Term loan of State Bank of India, Punjab National Bank and Export Import Bank of India.
3	All that piece or parcel of lease hold Plot No. 10/8, (Phase-I), admeasuring about 2539 Sq. Mtrs. alongwith Factory shed building, Plant and Machinery standing thereon of Vatwa Industrial Estate of Gujarat Industrial Development Corporation, situated upon land bearing Survey No. 418/p of mouje: Vinzol & Vatwa, Taluka: Dascroi, Registration District Ahmedabad and Sub-District Ahmedabad-5 (Narol)	First pari passu charge for securing working capital facilities from consortium banks and Term loan of State Bank of India, Punjab National Bank and Export Import Bank of India.
4	All that piece or parcel of non-agricultural land bearing amalgamated Block No. 396 (allotted in lieu of old Block Nos. 396, 399, 400/A, 400/B, 401, 402, 403 and 404/A) totally admeasuring about 45773 sq. mts. Alongwith factory shed building, plant and machinery at Mouje: Dudhavada, Taluka: Padra, Registration District Vadodara and Sub-District Padra	First pari Passu Charge to IDBI Trusteeship Services Ltd for securing Non convertible debentures and to secure term loan of State Bank of India, Punjab National Bank and Export Import Bank of India and working capital facilities from consortium banks.
5	All that piece and parcel of non-agricultural land bearing Block No. 552/A, 566, 567, 569, 570 & 571 admeasuring about 31942 sq.mts., Alongwith factory shed building, plant and machinery at Mouje: Dudhwada, Taluka: Padra, Registration District: Vadodara and Sub-District: Padra	First pari Passu Charge to IDBI Trusteeship Services Ltd for securing Non convertible debentures and to secure term loan of State Bank of India, Punjab National Bank and Export Import Bank of India and working capital facilities from consortium banks.
6	All that piece or parcel of lease hold Plot Nos. 365 & 366, admeasuring about 1507.93 sq. mts., along with factory shed building standing thereon of Vatwa Industrial Estate of Gujarat Industrial Development Corporation, situated upon land bearing Survey 410/p of mouje: Vinzol, Taluka: Dascroi, Registration District Ahmedabad and Sub-District Ahmedabad-5 (Narol)	First pari passu charge for securing term loan of State Bank of India and Punjab National Bank. Second pari passu charge for securing working capital facilities from consortium banks and Term loan of Export Import Bank of India.
7	All that piece and parcel of non agricultural land bearing Block No. 390/A, 390/B, 391/A, 391/B, 394/A/1, admeasuring about 22311 sq. mts., Alongwith factory shed building, plant and machinery situate lying and being at mouje: Dudhwada, Taluka: Padra, Registration District: Vadodara and Sub-District: Padra	First pari passu charge for securing term loan of State Bank of India and Punjab National Bank. Second pari passu charge for securing working capital facilities from consortium banks and Term loan of Export Import Bank of India.
8	All that piece and parcel of non agricultural land bearing Block No. 393, 394/A/2 394/B/1, 394/B/2, admeasuring about 16313 sq. mts., Alongwith factory shed building, plant and machinery, Power plant situate lying and being at mouje: Dudhwada, Taluka: Padra, Registration District: Vadodara and Sub-District: Padara	First Charge to Export Import Bank of India for securing their term loan. Second pari passu charge for securing term loan of State Bank of India and Punjab National Bank and working capital facilities from consortium banks.
9	All that pieces and parcels and parcels of lands, comprised in and forming part of lands admeasuring 1,69,463 Sq. Mtrs., together with all buildings, structures, erections, etc. constructed and/or to be constructed thereon, both present and future, and being, lying and situated at Village: Kadodara, Tehsil: Wagra & Dist. Bharuch	First charge for securing corporate loan from IFCI Limited.
10	First and exclusive charge secured by hypothecation of vehicles financed	Charge secured by hypothecation of respective assets to HDFC Bank Ltd, ICICI Bank Ltd, Kotak Mahindra Prime Ltd. and Reliance Capital.

Notes to the Financial Statements (Contd...)

The details of Loans guaranteed by Directors are set out below : **(Rs. in Lacs)**

Particulars	Guaranteed by	Amount of Loan
Secured Loans		
Non Convertible Debentures	Personal Guarantees of some of the Directors	4,000.00
Term Loans from Indian Overseas Bank, ING Vyasya Bank Limited, State Bank of India, EXIM Bank and Punjab National Bank	Personal Guarantees of some of the Directors	4,378.31
Foreign Currency Term Loans from State Bank of India, Punjab National Bank and EXIM Bank	Personal Guarantees of some of the Directors	10,445.52
Corporate Loan from IFCI Ltd	Personal Guarantees of some of the Directors	3,434.74

The details of the terms of repayment of Non Convertible Debentures are set out below: **(Rs. in Lacs)**

Nature of Loans	Amount	Terms of Loans
Non Convertible Debentures	4,000.00	**Series A** (Rs. 2,500 lacs): Repayment in 16 quarterly installments with 2% Redemption premium starting from end of 5th quarter from the date of allotment i. e. 12.08.2011. At the end of 5th to 8th quarter - 2.5% of principal, 9th to 12th quarter - 5% of principal, 13th to 16th quarter - 7.5% of principal, 17th to 20th quarter - 10% of principal. Rate of Interest - 10.75%
		Series B (Rs. 1,500 lacs): Repayment in 16 quarterly installments with 2% Redemption premium starting from end of 5th quarter from the date of allotment i. e. 07.10.2011. At the end of 5th to 8th quarter - 2.5% of principal, 9th to 12th quarter - 5% of principal, 13th to 16th quarter - 7.5% of principal, 17th to 20th quarter - 10% of principal. Rate of Interest - 10.75%

The details of the terms of repayment of Term Loans & other loans are set out below: **(Rs. in Lacs)**

Nature of Loans	Sanctioned Amount	Terms of Loans
Term Loan from Punjab National Bank	6,250.00	20 Equal quarterly Installments after implementation period of 9 months and moratorium period of 12 months. Rate of Interest 15.50% on INR loan and 6.00% on USD
Term Loan from State Bank of India	5,000.00	20 Equal quarterly Installments commencing from April - June, 2012. Rate of Interest 15.25% on INR loan and 5.25% on USD
Term Loan from EXIM Bank	9,450.00	20 Equal quarterly Installments commencing after 1 year from the date of First disbursements. Rate of Interest 6%

The details of continuing default as on the Balance Sheet date in repayment of loans and interest are set out below: **(Rs. in Lacs)**

Particulars	Nature of Default	Period of continuing default	Amount of continuing default
Non Convertible Debentures	Interest	January, 2012	58.53
IFCI Limited	Interest	January, 2012	140.11
	Principal	February, 2012	200.00
Indian Overseas Bank	Interest	From March, 2012	7.89
	Principal	From January, 2012	560.00
Punjab National Bank	Interest	February, 2012	64.63
Kotak Mahindra Prime Limited	Interest	Upto March, 2012	12.66

Notes to the Financial Statements (Contd...)

5 DEFERRED TAX

The Company estimates deferred tax liabilities using the applicable rate of taxation based on the impact of timing difference between financial statements and estimated taxable income for the current year. The net deferred tax liabilities as at March 31, 2012 is given as below:

(Rs. in Lacs)

Particulars	Deferred Tax Liabilities	
	As At 31.03.2012	As At 31.03.2011
Opening Balance of Deferred Tax Liabilities (Net)	1,908.38	1,368.50
Add : Difference between depreciation on fixed assets in the financial statement and the income tax computation	322.81	539.88
Total	**2,231.19**	**1,908.38**

6 SHORT-TERM BORROWINGS

(Rs. in Lacs)

Particulars	As At 31.03.2012	As At 31.03.2011
Secured :		
Working Capital Loan from Banks	28,774.95	19,831.36
Unsecured :		
Working Capital Facility	1,643.93	1,283.29
Loans from Directors / Promoters	26.32	437.71
Intercorporate Deposits	1,394.03	-
Total	**31,839.23**	**21,552.36**

The details of security of the long term borrowings are set out below : (Rs. in Lacs)

Nature of Loans	Amount	Secured by
Secured Loans :		
Working Capital Loan repayable on demand from State Bank of India, Bank of India, Indian Bank, Punjab National Bank, Oriental Bank of Commerce, EXIM Bank, Standard Chartered Bank collectively known as Consortium bankers	28,774.95	Hypothecation of Stock, Book debt, Movable Plant and machinery and Personal Guarantees of some of the Directors

The details of Loans guaranteed by Directors or others are set out below : (Rs. in Lacs)

Particulars	Guaranteed by	Amount of Loan
Unsecured Loans :		
Working Capital Facility from India Factoring and Finance Solutions Pvt. Ltd.	Personal Guarantee of some of the Directors	208.50
Working Capital Facility from India Factoring and Finance Solutions Pvt. Ltd.	Personal Guarantee of some of the Directors	364.83
Working Capital Facility from IFCI Factors Ltd	Personal Guarantee of some of the Directors	1,054.35
Inter Corporate Deposits	Personal Guarantee of some of the Directors	1,394.03

Notes to the Financial Statements (Contd...)

7 TRADE PAYABLES (Rs. in Lacs)

Particulars	As At 31.03.2012	As At 31.03.2011
Trade payables	9,728.52	10,327.76
Total	**9,728.52**	**10,327.76**

8 OTHER CURRENT LIABILITIES (Rs. in Lacs)

Particulars	As At 31.03.2012	As At 31.03.2011
Current Maturity of Long-term debt	5,943.57	3,810.92
Credit Balances in Bank Accounts	147.35	215.38
Interest accrued but not due on Unsecured Loans	40.02	139.91
Interest accrued and due on borrowings	283.82	-
Advance received from Customers	1,064.72	124.54
Statutory Dues	141.65	37.52
Unpaid / Unclaimed Dividend	1.12	1.13
Employee Benefit Payables	226.06	32.85
Other Liabilities	3,460.76	559.33
Total	**11,309.07**	**4,921.58**

9 SHORT-TERM PROVISIONS (Rs. in Lacs)

Particulars	As At 31.03.2012	As At 31.03.2011
Provision for Employee Benefit - Current	89.71	38.46
Proposed Dividend	-	285.00
Provision for Tax on Dividend	46.23	46.23
Total	**135.94**	**369.69**

Notes to the Financial Statements (Contd...)

10 FIXED ASSETS **(Rs. in Lacs)**

Assets	Opening Balance As on 01.04.2011	Addition during the year	Adjusted sold during the year	Gross Block As on 31.03.2012	Depreciation Up to 31.03.2011	Depreciation provided during the year	Adjusted during the year	Total Dep. Up to 31.03.2012	Net Block As on 31.03.2012	Net Block As on 31.03.2011
TANGIBLE ASSETS										
Land	1,202.34	-	-	**1,202.34**	-	-	-	-	**1,202.34**	1,202.34
Building	4,925.12	1,228.21	-	**6,153.33**	358.67	185.87	-	544.54	**5,608.79**	4,566.45
Plant & Machinery	23,631.57	3,936.85	-	**27,568.42**	3,388.51	2,705.20	-	6,093.71	**21,474.72**	20,243.06
Electrification	448.63	345.61	-	**794.24**	100.22	68.73	-	168.95	**625.29**	348.41
Office Equipments	77.65	15.80	-	**93.45**	3.72	4.77	-	8.49	**84.96**	73.93
Furniture & Fixture	122.80	8.14	-	**130.94**	20.94	7.95	-	28.89	**102.05**	101.86
Vehicles	550.75	52.02	-	**602.77**	113.29	53.09	-	166.38	**436.39**	437.46
Capital Work In Progress	1,686.33	11,165.46	3,371.10	**9,480.69**	-	-	-	-	**9,480.69**	1,686.33
TOTAL	**32,645.19**	**16,752.09**	**3,371.10**	**46,026.18**	**3,985.35**	**3,025.61**	**-**	**7,010.96**	**39,015.23**	**28,659.84**
PREVIOUS YEAR	**19,898.13**	**12,751.00**	**3.93**	**32,645.18**	**2,126.57**	**1,861.55**	**2.78**	**3,985.34**	**28,659.84**	**17,771.57**

Note : Land includes agricultural land intended for industrial purpose, held in the name of the chairman of the Company in his fiduciary capacity as per Section 88 of the Indian Trust Act, 1882, pending necessary approval for conversion of agriculture land into non agriculture land.

11 NON CURRENT INVESTMENTS **(Rs. in Lacs)**

Particulars	As At 31.03.2012	As At 31.03.2011
Non-current Investment		
Trade (Unquoted)		
- **Investments in Mutual Funds**		
100,000 Units (P.Y.100000) SBI Infrastructure Fund (NAV of the units held Rs. 7.81 lacs (P.Y.9.37 lacs)	10.00	10.00
Investment in Subsidiary		
26,23,353 Equity Shares (P.Y. 26,23,353) Each of SG $ 10 Each of DyStar Global Holdings (Singapore) Pte. Ltd. (formerly known as Kiri Holding Singapore Pvt. Ltd..)	9,550.24	9,550.24
1 Equity Share (P.Y. 1) of US $ 1 In Kiri International (Mauritius) Private Ltd.	0.00	0.00
10,00,000 Equity Shares (P.Y. 25000) of HK $ 1 Each In Synthesis International Ltd.	57.56	1.50
49,994 Equity Shares (P.Y. NIL) of INR 10 Each In Kiri Peroxide Limited	5.00	-
13,411 Equity Share (P.Y. Nil) of SG $ 1 in Kiri Investment & Trading Singapore Pvt. Ltd.	5.00	-
9,70,000 Equity Shares (P.Y. Nil) of NTD 10 Each in SMS Chemical Co Ltd Fully Paid Up	339.53	-
Investment in Associate Company		
26,25,000 Equity Shares (P.Y. 26,25,000) of Rs 10/- Each Fully Paid up in Kiri Infrastructure Private Limited	1,443.75	1,443.75
Investment in Joint Venture Company		
3,00,00,000 Equity Shares (P.Y.3,00,00,000) of Rs.10/- Each Fully Paid up in Lonsen Kiri Chemical Industries Limited.	3,000.00	3,000.00
2,22,00,000 5% Non Cumulative Redeemable Preference Shares (P.Y. 32,00,000) of Rs 10/- Each Fully Paid up in Lonsen Kiri Chemical Industries Limited	2,220.00	320.00
Other (Unquoted)		
- **Investments in Equity Instruments**		
20,000 Equity Shares (P.Y. 20,000) of Rs. 25 Each in Kalupur Commercial Co-Operative Bank Limited.	5.00	5.00
Total Non-current Investment	**16,636.08**	**14,330.49**

Notes to the Financial Statements (Contd...)

12 LONG-TERM LOANS AND ADVANCES (Rs. in Lacs)

Particulars		As At 31.03.2012	As At 31.03.2011
Capital Advances			
Unsecured, considered good		2,649.73	2,226.44
Doubtful		-	-
		2,649.73	2,226.44
Less : Allowance for Bad & Doubtful		-	-
	Sub-Total	**2,649.73**	**2,226.44**
Security Deposits			
Unsecured, considered good		335.47	191.14
Doubtful		-	-
		335.47	191.14
Less : Allowance for Bad & Doubtful		-	-
	Sub-Total	**335.47**	**191.14**
Other Loans & Advances			
Unsecured, considered good			
Loans & Advance to Employees		24.45	24.89
Other Loans & Advances		676.17	1,546.36
		700.62	1,571.26
Less : Allowance for Bad & Doubtful		-	-
	Sub-Total	**700.62**	**1,571.26**
Total		**3,685.82**	**3,988.84**

13 OTHER NON-CURRENT ASSETS (Rs. in Lacs)

Particulars	As At 31.03.2012	As At 31.03.2011
Deposits with Banks	1,154.06	1,115.04
Unamortised Expenses	1.14	1.36
Total	**1,155.20**	**1,116.40**

Notes to the Financial Statements (Contd...)

14 INVENTORIES (Rs. in Lacs)

Particulars		As At 31.03.2012	As At 31.03.2011
Raw Material		1,263.18	2,191.32
Less : Provision for Obsolete Stock		-	-
	Sub-Total	**1,263.18**	**2,191.32**
Finished Goods		1,315.08	189.34
Less : Provision for Obsolete Stock		-	-
	Sub-Total	**1,315.08**	**189.34**
Stock in Process & Semi Finished Goods		13,034.73	13,100.08
Stores & Spares in transit		-	-
		13,034.73	13,100.08
Less : Provision for Obsolete Stores		-	-
	Sub-Total	**13,034.73**	**13,100.08**
Packing Material		254.37	278.18
Others		-	-
Total		**15,867.36**	**15,758.92**

15 TRADE RECEIVABLES (Rs. in Lacs)

Particulars		As at 31.03.2012	As at 31.03.2011
Debt outstanding for a period exceeding six months			
Unsecured considered good		10,516.07	1,477.12
Doubtful		1,329.13	-
		11,845.20	1,477.12
Less : Allowance for Bad & Doubtful		-	-
	Sub-Total	**11,845.20**	**1,477.12**
Other debts			
Unsecured considered good		14,744.97	19,698.29
Doubtful		-	-
		14,744.97	19,698.29
Less : Allowance for Bad & Doubtful		-	-
	Sub-Total	**14,744.97**	**19,698.29**
Total		**26,590.17**	**21,175.41**

Notes to the Financial Statements (Contd...)

16 CASH AND CASH EQUIVALENTS **(Rs. in Lacs)**

Particulars	As at 31.03.2012	As at 31.03.2011
Cash on Hand	13.26	23.83
Balances with Scheduled Banks		
In Current Account	300.19	1,023.89
Balances with Non-Scheduled Banks		
In Current Account	0.27	4.65
Others		
Balances in Unpaid Dividend Accounts	1.06	1.06
Total	**314.78**	**1,053.43**

17 SHORT-TERM LOANS AND ADVANCES **(Rs. in Lacs)**

Particulars	As at 31.03.2012	As at 31.03.2011
Others		
Unsecured, considered good		
Advance Tax & Tax Deducted at Source (Net of Provision C.Y. - Rs. 2336.00 lacs Less : P.Y. - Rs.1654.55 Lacs)	681.69	(7.42)
MAT Credit Entitlement	1,007.94	1,307.94
Balance with Government Authorities	3,962.51	3,068.02
Advances to Suppliers	436.15	4,181.59
Prepaid expenses	42.02	167.49
Other Loans & Advances	14.48	10.21
Doubtful	-	-
	6,144.79	8,727.83
Less : Allowance for Bad & Doubtful	-	-
	6,144.79	8,727.83
Total	**6,144.79**	**8,727.83**

18 OTHER CURRENT ASSETS **(Rs. in Lacs)**

Particulars	As at 31.03.2012	As at 31.03.2011
Interest Accrued on Deposits	186.27	157.30
Total	**186.27**	**157.30**

Notes to the Financial Statements (Contd...)

19 REVENUE FROM OPERATIONS (Rs. in Lacs)

Particulars	2011-2012	2010-2011
Sale of Products	44,185.30	53,427.08
Sales of Services	7,394.52	3,145.04
Other Operating Revenue	1,873.98	670.06
Total	**53,453.80**	**57,242.18**

20 OTHER INCOME (Rs. in Lacs)

Particulars	2011-2012	2010-2011
Interest Income		
- FDs with Banks & ICDs	111.96	83.61
- Others	138.12	53.10
	250.08	136.71
Income from Investment		
- Dividend Income / Profit on Sale of Investment	0.20	8.75
Lease Rent	-	62.67
Sale of Scrap material	-	3.50
Net gain on foreign currency translation	-	204.45
Total	**250.28**	**416.08**

21 COST OF MATERIALS CONSUMED (Rs. in Lacs)

Particulars	2011-2012	2010-2011
Raw Material Consumed :		
Opening Inventory	2,191.32	2,718.63
Add : Purchases (Net)	34,408.35	30,957.88
Less: Inventory at the end of the year	1,263.18	2,191.32
Cost of Raw Material consumed during the year	**35,336.49**	**31,485.19**
Packing Material Consumed :		
Opening Inventory	278.18	194.13
Add : Purchases (Net)	817.90	1,000.99
Less: Inventory at the end of the year	254.38	278.18
Cost of Packing Material consumed during the year	**841.70**	**916.94**
Total	**36,178.19**	**32,402.13**

22 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS & STOCK-IN TRADE (Rs. in Lacs)

Particulars	2011-2012	2010-2011
(Increase)/decrease in Stocks		
Stock at the beginning of the year :		
Finished Goods	189.34	5,610.26
Work in Progress & Semi Finished Goods	13,100.08	6,023.32
	13,289.42	11,633.58
Stock at the end of the year :		
Finished Goods	1,315.08	189.34
Work in Progress & Semi Finished Goods	13,034.72	13,100.08
	14,349.80	13,289.42
Total	**(1,060.38)**	**(1,655.84)**

Notes to the Financial Statements (Contd...)

23 EMPLOYEE BENEFITS EXPENSE **(Rs. in Lacs)**

Particulars	2011-2012	2010-2011
Salaries, Wages & Bonus	1,917.96	1,245.47
Contribution to Provident fund & other funds	94.79	51.72
Welfare Expenses	130.17	52.89
Total	**2,142.92**	**1,350.08**

24 FINANCE COST **(Rs. in Lacs)**

Particulars	2011-2012	2010-2011
Interest & Financial Charges		
- Interest Cost	4,750.80	3,923.48
- Financial Charges	488.06	465.80
Total	**5,238.86**	**4,389.28**

25 ADMINISTRATIVE EXPENSES **(Rs. in Lacs)**

Particulars	2011-2012	2010-2011
Insurance Premium	55.02	32.81
Communication Expenses	45.89	48.22
Postage & Conveyance	44.41	30.96
Travelling & Conveyance	87.38	130.62
Repairs & Maintenance - Others	4.95	20.88
Membership & Subscription	20.28	4.93
Security Expenses	40.98	28.18
Legal & Professional Fees	560.37	133.83
Payment to Auditors	10.00	10.00
Rates & Taxes	8.62	4.72
Net Loss on Sale of Assets	-	0.71
Donation	1.19	15.82
Miscellaneous Expenses	12.55	12.70
Preliminary Expenses	0.23	0.23
Total	**891.87**	**474.61**

Expenses Capitalised as a part of Capital Work in Progress **(Rs. in Lacs)**

Particulars	2011-2012	2010-2011
Finance Cost	395.81	615.19
Professional Fees	48.90	49.70
Salary & Wages	10.04	11.31
Other Administrative Expenses	518.97	199.38
Total	**973.73**	**875.58**

Notes to the Financial Statements (Contd...)

26 MANUFACTURING EXPENSES **(Rs. in Lacs)**

Particulars		2011-2012		2010-2011
Operational & Other Expenses				
- Power & Fuel		3,472.34		3,034.08
Pollution Treatment Expenses		121.89		72.33
Repairs & Maintenance				
- Buildings	14.01		4.18	
- Machineries	471.27		94.58	
- Other Assets	51.69	536.97	17.44	116.20
Laboratory Expenses		13.59		46.52
Factory Expenses		41.28		44.05
Rent Expenses		39.80		6.00
Total		**4,225.87**		**3,319.18**

27 SELLING & DISTRIBUTION EXPENSES **(Rs. in Lacs)**

Particulars	2011-2012	2010-2011
Warehouse Charges	5.48	1.50
Export Expenses	180.77	275.31
Outward Freight & Transportation Charges	774.76	839.76
Travelling Expenses	85.28	34.70
Advertisement & Sales Promotion Expenses	75.47	51.57
Total	**1,121.76**	**1,202.84**

28 PRIOR PERIOD ADJUSTMENTS **(Rs. in Lacs)**

Particulars	2011-2012	2010-2011
Prior Period Expenses	21.54	16.25
Total	**21.54**	**16.25**

29 The Debit and Credit balances of debtors, creditors, loans and advances are subject to confirmation and reconciliation, if any and they are stated in the Balance Sheet if realized in the ordinary course of business. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.

30 Exceptional items include derivative losses of Rs. 2,184.12 lacs.

(Rs. In Lacs)

31

Particulars	2011-2012	2010-2011
Estimated amount of contracts remaining to be executed on capital account and not provided for	3,782.64	5,794.19

Notes to the Financial Statements (Contd...)

32 Contingent Liabilities **(Rs. In Lacs)**

Particulars	2011-2012	2010-2011
Outstanding Letter of Credits issued by Banks.	2,298.22	3,391.67
Guarantees given by Banks on behalf of the Company for various purposes. *	25,286.23	33,865.38
Corporate Guarantees given by the Company on behalf of the Joint Venture Company.	8,900.00	8,900.00
Corporate Guarantees given by the Company on behalf of wholly owned Subsidiary Company. *	8,865.27	10,000.00
Disputed Income Tax / Excise matters for various assessment years for which appeals are pending with Appellate authorities.	1,886.44	1,443.52

* Out of the above, the loans availed for Dystar Acquisition have been paid after 31st March, 2012 in full for which the Company had given corporate guarantees amounting to Rs. 33936.44 lacs.

33 In order to reduce the impact of existing debt and to ensure smoother cash flow, the Company has requested its consortium bankers to provide relaxation to its debts to which the consortium bankers have agreed in principle. The final approval from some banks has been received whereas that from the remaining banks is awaited. Further, due to heavy recession and sluggish market, the Company has decided to shelve some of the projects under construction. The losses which are likely to occur on sale or disposal are unascertainable at this stage and therefore no provision has been made in accounts for the same. The Company is under negotiation with banks for funding of these losses.

34 Directors' Remuneration **(Rs. In Lacs)**

Particulars	2011-2012	2010-2011
Mr. Pravin A. Kiri	84.00	84.00
Mr. Manish P. Kiri	84.00	84.00
Mr. Shanker Patel	12.00	11.00
Directors Sitting Fees	2.07	2.27
35 Remuneration to Auditors		
Audit Fees	6.00	6.00
Taxation Matters	2.50	2.50
Certification and other Matters	1.50	1.50
36 C.I.F. Value of imported goods		
Raw Material	4562.64	5086.64
Machinery & Spares	3059.33	519.45
37 Earnings in Foreign Currency		
F.O.B. Value of Exports	15614.83	23978.79
38 Expenditure in Foreign Currency		
Foreign Travel Expense	19.52	37.58
Export sales Commission	0.00	19.00
Professional & Legal Charges	6.90	196.17
Others	0.00	0.90

39 Particulars of Non Resident Shareholders to whom dividend is remitted **(Rs. In lacs)**

	2011-12	2010-11
Amount of final dividend remitted	1.54	1.97
No. of Shareholders	3	8
No. of shares held	1,02,630	1,31,140
Year/ Period to which dividend relates	2010-11	2009-10

Notes to the Financial Statements (Contd...)

40 In view of the exemption granted vide notification number S.O. 301(E) dated 8th February, 2011 issued by the Ministry of Corporate Affairs, Government of India, the information required vide para 3(i)(a), 3(ii)(a), 3(ii)(b), 3(ii)(d) of part II of Schedule VI of the Companies Act, 1956 has not been given.

41 Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges:

(a) Loans and advances in the nature of Loans given to subsidiaries and associates in which Directors are interested.

(Rs. In lacs)

Name of the Company	Relationship	During the Year	As at 31st March, 2012	Maximum Balance outstanding during the year
Kiri Infrastructure Pvt Ltd.	Associates	741.52	456.46	868.02

42 **Lease:**

(Rs. In lacs)

Particulars	As at March 31, 2012	As at March 31, 2011
Operating Lease		
i. Expenses under cancellable operating lease and rental contracts during the year	-	-
ii. Expenses under non-cancellable operating lease and a rental contract during the year	36.00	6.00
iii. Maximum financial obligation from long term non-cancellable operating lease and rental contracts as per the respective agreement as follows :		
Not later than one year	36.00	36.00
Later than one year not later than five years	30.00	66.00

43 Details of loan taken from companies under the same management:

(Rs. In lacs)

Name of the Company	2011-12		2010-11	
	Balance as at 31st March, 2012	Maximum balance during the year	Balance as at 31st March, 2011	Maximum balance during the year
Kiri Infrastructure Pvt. Ltd.	456.46	868.02	868.02	1,841.59

44 **Calculation of Earning Per Share**

Earning Per Share		2011-12	2010-11
Basic			
(Loss) / Profit attributable to Equity Shareholders	Rs	(23,58,93,947)	33,05,01,620
Nominal Value of Equity Share	Rs.	10	10
Weighted average number of ordinary Equity Shares - for Basic EPS	Nos.	1,90,00,053	1,66,43,889
Basic EPS	Rs.	(12.42)	19.86
Diluted EPS	Rs.	(12.42)	19.86

Notes to the Financial Statements (Contd...)

45 Related Party Disclosure -

A) Related Party And Their Relationship

Name of the Party	Relationship
Kiri International (Mauritius) Private Limited	Wholly Owned Subsidiary
Dystar Global Holdings (Singapore) Pte. Ltd (formerly known as Kiri Holding Singapore Private Limited)	Wholly Owned Subsidiary
Synthesis International Limited	Wholly Owned Subsidiary
SMS Chemicals Co. Limited	Wholly Owned Subsidiary
Kiri Peroxide Ltd.	Wholly Owned Subsidiary
Kiri Investment and Trading Singapore Private Limited	Step down subsidiary
DyStar Colours Distribution GmbH	Step down subsidiary
DyStar Nanjing Colours Co., Ltd.	Step down subsidiary
DyStar Pakistan (Pvt) Ltd.	Step down subsidiary
DyStar Singapore Pte Ltd.	Step down subsidiary
DyStar South Africa (PTY) Ltd.	Step down subsidiary
DyStar Taiwan Ltd.	Step down subsidiary
Color Solutins International (Shanghai) Co. Ltd (formerly known as DyStar Textile Services (Shanghai) Co Ltd.)	Step down subsidiary
DyStar Thai Ltd.	Step down subsidiary
DyStar UK Ltd.	Step down subsidiary
DyStar Wuxi Colours Co., Ltd.	Step down subsidiary
PT DyStar Colours Indonesia	Step down subsidiary
Boehme Asia Limited	Step down subsidiary
DyStar – Anilinas Texteis Lda.	Step down subsidiary
DyStar (Shanghai) Trading Co., Ltd	Step down subsidiary
DyStar Benelux S.P.R.L.	Step down subsidiary
DyStar Chemicals Israel Ltd.	Step down subsidiary
DyStar China Ltd.	Step down subsidiary
DyStar de Mexico, S. de R.L. de C.V.	Step down subsidiary
DyStar France S.A.R.L.	Step down subsidiary
DyStar Hispania, S.L.	Step down subsidiary
DyStar India Private Limited	Step down subsidiary
DyStar Industria e Comercio de Produtos Quimicos Ltda.	Step down subsidiary
DyStar Italia S.r.l	Step down subsidiary
DyStar Japan Ltd.	Step down subsidiary
DyStar Kimya Sanayi ve Ticaret Ltd.	Step down subsidiary
DyStar Korea Ltd.	Step down subsidiary
DyStar Boehme Africa (Pty) Ltd.	Step down subsidiary
Texanlab Laboratories Private Limited	Step down subsidiary
Dystar (Hangzhou) Chemical Company Limited (formerly known as Boehme Republic of China (Hangzhou) Chemical Auxiliary Co. Ltd.)	Step down subsidiary
DyStar Denim GmbH	Step down subsidiary
DyStar Acquisition Corporation	Step down subsidiary
DyStar Americas Holding Corp.	Step down subsidiary
DyStar LP USA	Step down subsidiary
Boehme Filatex Canada Inc.	Step down subsidiary
Lonsen Kiri Chemical Ind. Ltd.	Joint Venture
Mr. Pravin A Kiri	Key Managerial Personnel
Mr. Manish P Kiri	Key Managerial Personnel
Mr. Shanker R. Patel	Key Managerial Personnel
Mrs. Aruna P Kiri	Relative of Key Managerial Personnel
Mrs. Anupama M Kiri	Relative of Key Managerial Personnel
Kiri Infrastructure Pvt. Ltd.	Associate Company
Unique Dyechem	Entity Controlled by Key Managerial Personnel

Notes to the Financial Statements (Contd...)

B) Transaction with Related Parties

Figures in *Italics* represent figures as at 31st March, 2011 **(Rs. In Lacs)**

Particulars	Subsidiaries & Step Down Subsidiaries	Joint Ventures	Associates Enterprise	Key Management Personnel & their Relatives	Entity Controlled by Key Management Personnel	Total
Purchase of Goods	122.28	44.49	-	-	-	166.77
	10.19	*334.95*	-	-	*660.26*	*1,005.40*
Sales of Goods / Services	12,770.54	197.09	-	-	-	12,967.63
	15,022.99	*231.55*	-	-	*337.09*	*15,591.63*
Job Work Income	-	-	-	-	-	-
	-	-	-	-	*395.76*	*395.76*
Job work Expense	-	-	-	-	-	-
	-	-	-	-	*279.88*	*279.88*
Remuneration	-	-	-	180.00	-	180.00
	-	-	-	*179.00*	-	*179.00*
Investment	405.59	1,900.00	-	-	-	2,305.59
	9,551.74	*3,320.00*	*1,443.75*	-	-	*14,315.49*
Advance from customer	-	-	-	-	-	-
	-	*261.05*	-	-	-	*261.05*
Advance given	-	-	741.52	-	-	741.52
	7.49	-	*1,345.46*	-	-	*1,352.95*
	3.02	-	-	-	-	3.02
Reimbursement of exps.	-	-	-	-	-	-
Advance repaid	-	-	1,222.71	-	-	1,222.71
	-	-	*506.50*	-	-	*506.50*
Interest received	-	-	77.36	-	-	77.36
	-	-	*32.29*	-	-	*32.29*
Interest paid	-	-	-	41.51	-	41.51
	-	-	*145.18*	*337.37*	-	*482.55*
Dividend	-	-	-	133.98	-	133.98
	-	-	-	*151.10*	-	*151.10*
Loan repaid	-	-	-	734.88	-	734.88
	-	-	*2,335.10*	*4,255.49*	-	*6,590.59*
Loan Taken	-	-	-	285.42	-	285.42
	-	-	*392.00*	*2,013.80*	-	*2,405.80*
Guarantees given	8,865.27	8,900.00	-	-	-	17,765.27
	10,000.00	*8,900.00*	-	-	-	*18,900.00*
Share Application Money given	-	-	-	-	-	-
	101.30	*480.00*	-	-	-	*581.30*
Rent paid	-	-	36.00	-	-	36.00
	-	-	*6.00*	-	-	*6.00*
Testing Expense	1.09	-	-	-	-	1.09
	5.55	-	-	-	-	*5.55*
Outstanding Balance (Cr)	56.78	110.64	-	26.33	-	193.75
	96.90	*105.17*	-	*423.18*	-	*625.25*
Outstanding Balance (Dr)	4290.52	-	456.46	-	308.63	5055.61
	5,139.29	-	*868.03*	-	*339.47*	*6,346.79*

Notes to the Financial Statements (Contd...)

C) Disclosure in respect of material transactions with related parties

(Rs. in Lacs)

Nature of Transaction	Name of the Related Party	2011-12	2010-11
Purchase of Goods	Lonsen Kiri Chemical Industries Ltd	44.49	334.95
	DyStar India Pvt. Ltd.	37.91	10.19
	DyStar Colours Distribution GmbH	84.37	-
	Unique Dye Chem	-	660.26
Sales of Goods / Services	Lonsen Kiri Chemical Industries Ltd	197.09	231.55
	Synthesis International Limited	654.24	105.57
	DyStar India Pvt. Ltd.	1795.94	1,867.14
	DyStar Anilinas Texteis Lda.	-	55.44
	DyStar Boehme Africa Pty Ltd	157.02	64.25
	DyStar China Limited	114.45	591.19
	PT DyStar Colours Indonesia	1,578.99	2,467.51
	DyStar De Mexico S.De R.L. De C.V.	921.02	804.47
	DyStar Colours Distribution GmbH	1,143.82	4,677.25
	DyStar Hispania S.L	15.16	-
	DyStar Ind.E.Com De Prods Quim Ltda	455.19	533.37
	DyStar Pakistan Pvt Ltd	88.89	113.06
	Dystar Italia S.R. L.	1.31	-
	DyStar Singapore Pte Ltd	2336.26	1,297.90
	DyStar Tekstil Boya Ve Teknol Sanayi Ticaret Ltd. Sirketi	-	868.37
	DyStar South Africa (Pty.) Ltd.	-	0.09
	DyStar LP USA	369.69	487.80
	DyStar Japan Ltd	29.54	7.23
	DyStar Kimya Sanayi Ve Ticart Ltd	1,109.04	1,068.16
	Unique Dye Chem	-	337.09
	SMS Chemicals Co. Ltd.	1,999.98	-
Job work Income	Unique Dye Chem	-	395.76
Job work Expense	Unique Dye Chem	-	279.88
Remuneration	Mr. Pravin A. Kiri	84.00	84.00
	Mr. Manish P. Kiri	84.00	84.00
	Mr. Shanker R.Patel	12.00	11.00
Investment	Lonsen Kiri Chemical Industries Ltd-Equity Shares	-	3,000.00
	Lonsen Kiri Chemical Industries Ltd - Pref. Share	1,900.00	320.00
	Kiri Infrastructure Pvt. Ltd.	-	1,443.75
	Dystar Global Holdings (Singapore) Pte. Ltd (formerly known as Kiri Holding Singapore Private Limited)	-	9,550.24
	Kiri Investment & Trading Singapore Pvt. Ltd.	5.00	-
	Synthesis International Limited	56.06	1.50
	SMS Chemicals Co. Ltd.	339.53	-
	Kiri Peroxide Ltd	5.00	-

Notes to the Financial Statements (Contd...)

(Rs. in Lacs)

Nature of Transaction	Name of the Related Party	2011-12	2010-11
Advance from customer	Lonsen Kiri Chemical Industries Ltd	-	261.05
Advance given	DyStar India Pvt.Ltd	-	7.49
	Kiri Infrastructure Pvt. Ltd.	741.52	1,345.46
Reimbursement of exps.	Dystar Global Holdings (Singapore) Pte. Ltd (formerly known as Kiri Holding Singapore Private Limited)	3.02	-
Advance repaid	Kiri Infrastructure Pvt. Ltd.	1,222.71	506.50
Interest received	Kiri Infrastructure Pvt. Ltd.	77.36	32.29
Interest paid	Mr. Pravin A. Kiri	41.51	200.91
	Mr. Manish P. Kiri	-	136.46
	Kiri Infrastructure Pvt. Ltd.	-	145.18
Dividend	Mr. Manish P. Kiri	16.14	27.83
	Mr. Pravin A. Kiri	104.30	113.86
	Mrs. Aruna P. Kiri	13.54	9.41
Loan repaid	Mrs. Anupama M. Kiri	15.00	-
	Mrs. Aruna P. Kiri	88.50	-
	Mr. Pravin A. Kiri	159.94	3,037.55
	Mr. Manish P. Kiri	470.74	1,217.94
	Kiri Infrastructure Pvt. Ltd.	-	2,335.10
Loan taken	Mrs. Anupama M. Kiri	15.00	-
	Mrs. Aruna P. Kiri	82.78	-
	Mr. Pravin A. Kiri	110.00	578.38
	Mr. Manish P. Kiri	77.64	1,435.42
	Kiri Infrastructure Pvt. Ltd.	-	392.00
Guarantees given	Dystar Global Holdings (Singapore) Pte. Ltd (formerly known as Kiri Holding Singapore Private Limited)	8865.27	10,000.00
	Lonsen Kiri Chemical Industries Ltd	8,900.00	8,900.00
Share Application Money Given	Kiri Investment And Trading Singapore Pvt. Ltd.	-	71.28
	Lonsen Kiri Chemical Industries Ltd	-	480.00
	Kiri International (Mauratius) Pvt. Ltd.	-	16.32
	Synthesis International Limited	-	13.70
Rent Paid	Unique Dye Chem	36.00	6.00
Testing Expense	Texan Lab Laboratories Pvt. Ltd.	1.09	5.55
Outstanding Balance (Cr)	Lonsen Kiri Chemical Industries Ltd	110.64	105.17
	Mrs. Aruna P. Kiri	8.81	-
	Mr. Manish P. Kiri	16.23	409.32
	Mr. Pravin A. Kiri	1.29	13.86
	DyStar China Limited	0.36	96.90
	DyStar Colours Distribution GMBH	56.38	-
	Texan Lab Laboratories Pvt. Ltd.	0.04	-

Notes to the Financial Statements (Contd...)

(Rs. in Lacs)

Nature of Transaction	Name of the Related Party	2011-12	2010-11
Outstanding Balance (Dr)	Synthesis International Limited	566.87	105.57
	Dystar Global Holdings (Singapore) Pte. Ltd (formerly known as Kiri Holding Singapore Private Limited)	93.31	90.29
	Kiri Investment And Trading Singapore Pvt. Ltd.	-	6.74
	DyStar India Pvt.Ltd	469.99	642.03
	DyStar (Shanghai) Trading Co. Ltd.	-	180.74
	DyStar Boehme Africa (Pty) Ltd	41.89	49.20
	PT DyStar Colours Indonesia	2.00	999.63
	DyStar De Mexico S.De R.L. De C.V.	291.74	491.68
	DyStar Colours Distribution GMBH	2.94	1,047.94
	DyStar Honduras	27.46	27.46
	DyStar Ind.E.Com De Prods Quim Ltda	271.70	276.91
	Dystar Italia S.R.L.	1.31	-
	DyStar Pakistan (Pvt) Ltd	-	56.18
	DyStar Tekstil Boya Ve Teknol Sanayi Ticaret Ltd. Sirketi	3.70	3.70
	DyStar Singapore Pte Ltd	466.18	462.17
	DyStar LP USA	196.19	-
	DyStar Kimya Sanayi Ve Ticart Ltd	422.13	886.92
	SMS Chemicals Co. Ltd.	1999.98	-
	Unique Dye Chem	308.63	339.47
	Kiri Infrastructure Pvt. Ltd.	456.46	868.03

Note: The figures of SMS Chemicals Co. Limited subsidiaries have been compiled from 29th October 2011 to 31st March 2012, as the entities become related party from 29th October 2011.

As there is no commission paid to any of the Directors, the computation of profit u/s 198 and 350 of the Companies Act, 1956 has not been given.

46 Segment Reporting

The Company operates mainly in manufacturing of Dyes, Dyes intermediates and Basic Chemicals. All other activities are incidental thereto, which have similar risk and return, accordingly, there are no separate reportable Segment as far as primary Segment is concerned :

Information about Secondary Geographical Segments: (Rs. in Lacs)

Particulars	Year ended 31st March 2012	Year ended 31st March 2011
Revenue by Geographical Segment		
India	27975.94	28846.25
Outside India	23603.88	27225.87
Addition to Fixed Assets and Intangible Assets		
India	13380.99	12750.98
Outside India	0.00	0.00
Carrying amount of Fixed Assets (Net)		
India	39015.22	28659.84
Outside India	0.00	0.00

Notes to the Financial Statements (Contd...)

47 Employees Benefits:

The present value of gratuity and leave encashment obligations is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of services as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

1. Defined Benefit Plans: **(Rs. in Lacs)**

Particulars		Gratuity	Leave Encashment
I.	**Expense recognized during the year**		
	Current Service Cost	19.16	10.66
	Interest Cost	9.30	2.34
	Expected return on plan assets	-	-
	Net actuarial Losses (Gains)	(12.59)	(24.50)
II.	**Reconciliation of opening and closing balances of defined benefit obligation:**		
	Defined benefit obligation at beginning of the Year	111.93	27.99
	Service Cost	19.16	10.66
	Interest Cost	9.30	2.34
	Actuarial Losses (Gains)	(12.59)	(24.50)
	Losses (Gains) on curtailments	-	-
	Liabilities extinguished on settlements	-	-
	Benefits paid	(1.61)	(6.54)
	Defined benefit obligation at end of the year.	126.19	9.95
III.	**Reconciliation of opening and closing balances of fair value of plan assets**		
	Fair value of plan assets at the beginning of year	27.07	27.99
	Expected return on plan assets	2.44	-
	Actuarial Gains (Losses)	(0.30)	(24.50)
	Contributions by employer	-	-
	Benefit paid	(1.60)	(6.54)
	Defined benefit obligation at end of the year.	27.61	9.95
IV.	**Reconciliation of the present value of defined benefit obligation and fair value of planed assets**		
	Present value of defined benefit obligations at the end of the year	27.61	(9.95)
	Fair value of plan assets at the end of the year	-	-
	Net assets (liability) at the end of the year	27.61	(9.95)
V.	**Investment details**	**Percentage invested as at 31.03.2012**	
	Life Insurance Corporation of India (LIC) / SBI Life Insurance Company Ltd. (SBI)	100%	
VI.	**Actuarial Assumptions**		
	Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)
	Discount Rate (per annum)	8.75%	8.75%
	Expected Return on plan assets (per annum)	8.60%	0.00%
	Annual Increase in salary costs	6.00%	6.00%

2. Defined Contribution plans

Contribution of Defined Contribution Plan, recognized as expense for the year as under: **(Rs. In Lacs)**

Particulars	2011-12	2010-11
Employer's Contribution to Provident Fund	52.45	43.25
Employer's Contribution to Superannuation Fund	—	—

Notes to the Financial Statements (Contd...)

48 The Company has not received information from the suppliers regarding their status under The Micro, Small & Medium Enterprises Development Act, 2006. Hence, disclosures, if any relating to amounts unpaid as at the Balance Sheet date together with interest paid or payable as per the requirement under the said Act, have not been made.

49 **Derivative Instruments:**

The Company has entered into forward contracts to offset foreign currency risks arising from the amounts denominated in currencies other than the Indian Rupee. The counter parties to such forward contracts are banks.

Consequent to the announcement issued by the Institute of Chartered Accountants of India on Accounting of Derivatives, details of derivatives contracts outstanding as on March 31, 2012 are as under:

Figures in *Italics* represent figures as at 31st March, 2011 (Amount In lacs)

Currency	Exposure to Buy / Sell	No. of Contracts	For the year ended 31st March, 2012	
			Indian Currency	Foreign Currency
US Dollar / INR	Sell	24 *5*	13882.33 *1,128.39*	289.30 *25.31*
Euro / USD	Sell	0 *7*	0 *7,765.27*	0 *122.50*
Euro / USD	Buy	1 *0*	178.82 *0.00*	2.50 *0.00*
US Dollar / INR	Buy	0 *7*	0.00 *2,230.00*	0.00 *50.00*
GBP / US Dollar	Sell	0 *1*	0.00 *179.18*	0.00 *2.50*
GBP / US Dollar	Buy	0 *0*	0 *0.00*	0 *0.00*
Derivative Structure US Dollar / INR	Sell	15 *2*	7606.75 *17,167.15*	185.00 *385.00*

In respect of the outstanding derivatives and forward contracts, the Company has booked losses of Rs. 6135.27 lacs after 31st March, 2012 following the termination for unexpired leg of contracts. The Company has requested the relevant bankers for funding of this loss which is under consideration by the bank. Upon such termination, the hedge of export receivable now stands cancelled implying the exchange rate risk on the export is now open to market fluctuation. The contracts with other banks are under negotiation for funding.

50 Figures have been rounded off to the nearest rupee and figures of previous year have been regrouped, reclassified and readjusted wherever found necessary.

As per our separate report of
even date attached herewith.

For V. D. Shukla & Co.,
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 17th August, 2012

For and on behalf of the Board of Directors of
Kiri Industries Limited

Pravin A. Kiri
Chairman

Manish P. Kiri
Managing Director

Suresh S. Gondalia
Company Secretary

Place : Ahmedabad
Date : 17th August, 2012

Auditors' Report on Consolidated Financial Statements

To
The Board of Directors of
Kiri Industries Limited.

1. We have examined the attached Consolidated financial position of **Kiri Industries Limited** ("the Company'), its subsidiaries and jointly controlled entities (the Company, its subsidiaries and joint control entities constitute "the Group") as at 31st March, 2012 and consolidated statements of comprehensive income, changes in equity and consolidated statement of cash flows for the year ended on that date. The Consolidated Financial Statements include the jointly controlled entities accounted in accordance with the Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

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

3. a) We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs. 317,216.67 Lacs, as at 31st March, 2012, total revenues of Rs. 364,701.81 Lacs and net cash flows amounting to Rs. 5,119.74 Lacs for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been reviewed by other auditors whose reports have been furnished to us and our opinion so far as it relates to the amounts included in respect of these subsidiaries is based solely on the review reports of the other auditors.

   b) We have relied upon the unaudited financial statements of some subsidiaries, for the year ended on that date as considered in Consolidated Financial Statements. These unaudited financial statements have been furnished to us and our report in so far as it relates to the amounts included in respect of these subsidiaries are solely based on these financial statements certified by the management of the respective subsidiaries, in respect of which review report has been obtained.

   Subject to the matter referred in paragraph in 3(b) above with our comments therein:

   In our opinion, the consolidated financial statements referred to above, subject to note no. 30, present fairly in all material respects the financial position of the company as at 31st March, 2012 and 31st March, 2011 and the results of their operations and their cash flows for each of the years in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

For V. D. Shukla & Co.
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 3rd September, 2012

Consolidated Statement of Financial Position As At 31st March, 2012

(Rs. in Lacs)

Particulars	Note	As at 31.03.2012	As at 31.03.2011
ASSETS			
Property, plant and equipment	11	88,756.61	72,394.73
Intangible assets	12	5,515.05	6,021.50
Other Receivables	13	8,733.84	7,469.49
Investments		1,782.10	1,459.20
Prepayments		3,106.74	1,655.63
Deferred tax assets		4,352.40	3,640.31
Non-current assets		**112,246.74**	**92,640.86**
Inventories	14	153,920.34	152,701.41
Trade receivables	15	95,937.46	77,105.47
Other receivables	13	24,263.03	28,640.06
Prepayments		4,358.10	6,588.61
Cash and cash equivalents	16	24,362.84	18,158.71
Income tax receivables		2,216.35	2,217.75
Current assets		**305,058.12**	**285,412.01**
Total assets		**417,304.86**	**378,052.87**
EQUITY			
Share capital		1,900.01	1,900.01
Share Application money		478.41	293.11
Capital reserve		2,271.76	2,819.65
Redemption reserve		1,709.80	465.80
Share premium		28,431.92	28,431.92
Translation reserve		10,017.54	1,921.64
Retained earnings		47,047.11	54,959.71
Equity		**91,856.55**	**90,791.84**
LIABILITIES			
Loans and borrowings	18	31,144.97	27,268.20
Employees benefits	19	4,086.89	4,164.95
Provisions	20	3,561.76	2,916.09
Other payables	21	3,919.99	1,909.68
Income tax liabilities		966.35	429.09
Deferred tax liabilities		3,034.19	3,153.26
Non-current liabilities		**46,714.15**	**39,841.27**
Loans and borrowings	18	130,773.42	102,813.97
Bank overdrafts	18	1,953.67	1,844.49
Trade and other payables	21	112,081.87	91,457.27
Provisions	20	13,301.09	27,191.84
Advances received from customer		18,742.58	21,364.88
Income Tax Liabilities		1,881.53	2,747.31
Current Liabilities		**278,734.16**	**247,419.76**
Total liabilities		**325,448.31**	**287,261.03**
Total equity and liabilities		**417,304.86**	**378,052.87**

The accompanying notes form an integral part of these consolidated financial statements.

As per our separate report of even date attached herewith.
For V. D. Shukla & Co.,
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 3rd September, 2012

For and on behalf of the Board of Directors of Kiri Industries Limited

Pravin A. Kiri
Chairman

Manish P. Kiri
Managing Director

Suresh S. Gondalia
Company Secretary

Place : Ahmedabad
Date : 3rd September, 2012

Consolidated Statement of Comprehensive Income For the Year Ended 31st March, 2012

(Rs. in Lacs)

Particulars	Note	2011-12	2010-11
Revenue	5	410,883.51	368,182.11
Cost of Sales		(306,568.00)	(273,972.70)
Gross Profit		**104,315.51**	**94,209.41**
Research and Development Expenses		(11,076.67)	(11,208.02)
Selling Expenses		(63,132.89)	(62,668.51)
Administrative Expenses		(16,496.41)	(24,030.48)
Other Expenses	7	(8,459.87)	(4,971.85)
Other Income	6	11,442.75	7,148.10
Result from Operating Activities		**16,592.42**	**(1,521.35)**
Net Finance Cost	8	(21,161.58)	(11,079.70)
Loss Before Income Tax		**(4,569.16)**	**(12,601.05)**
Income Tax (Expense) / Credit	10	(2,299.86)	1,360.59
Loss for the Year		**(6,869.02)**	**(11,240.46)**
Share of proft / (loss) of associates		(26.16)	0.45
Foreign Currency Translation differences - Foreign Operations		(588.73)	2,545.55
Defined benefit plan - Actuarial Losses		226.58	(121.22)
Other Comprehensive (Loss)/ Income		**(388.31)**	**2,424.78**
Total Comprehensive Loss for the year		**(7,257.33)**	**(8,815.68)**
Earning per equity Share			
Basic		(38.20)	(52.97)
Diluted		(38.20)	(52.97)
Number of shares used in computing earnings per share			
Basic		19,000,053	16,643,889
Diluted		19,000,053	16,643,889

The accompanying notes form an integral part
of these consolidated financial statements.

As per our separate report of
even date attached herewith.
For V. D. Shukla & Co.,
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 3rd September, 2012

For and on behalf of the Board of Directors of
Kiri Industries Limited

Pravin A. Kiri
Chairman

Manish P. Kiri
Managing Director

Suresh S. Gondalia
Company Secretary

Place : Ahmedabad
Date : 3rd September, 2012

Consolidated Statement of changes in equity for the year ended 31st March, 2012

Particulars	Share capital	Capital reserve	Redemption reserve	Share Premium	Translation reserve	Retained earnings	Total equity
At April, 2010	1,900.01	2,819.65	300.50	6,067.31	603.22	66,817.46	78,508.15
Total comprehensive loss for the year							
Loss for the year	-	-	-	-	-	**(11,240.01)**	(11,240.01)
Total other comprehensive income	-	-	-	-	1,318.42	**(121.21)**	1,197.21
Total comprehensive income for the year	**1,900.01**	**2,819.65**	**300.50**	**6,067.31**	**1,921.64**	**55,456.24**	**68,465.35**
Contribution by and distribution to owners							
Net Share premium addition during the year	-	-	-	22,364.61	-	-	22,364.61
Final Dividend	-	-	-	-	-	(285.00)	(285.00)
Dividend Distribution Tax	-	-	-	-	-	(46.23)	(46.23)
Amount Transferred to General Reserve	-	-	165.30	-	-	(165.30)	-
Total contributions by and distributions to owners	**1,900.01**	**2,819.65**	**465.80**	**28,431.92**	**1,921.64**	**54,959.71**	**90,498.73**
At April, 2011	1,900.01	2,819.65	465.80	28,431.92	1,921.64	54,959.71	90,498.73
Total comprehensive loss for the year							
Loss for the year	-	-	-	-	-	(6,869.02)	(6,869.02)
Total other comprehensive income	-	-	-	-	8,095.90	200.42	8,296.32
Total comprehensive income for the year	**1,900.01**	**2,819.65**	**465.80**	**28,431.92**	**10,017.54**	**48,291.11**	**91,926.03**
Contribution by and distribution to owners							
Debenture Redemption Reserve	-	-	800.00	-	-	(800.00)	-
Amount Transferred to General Reserve	-	-	444.00	-	-	(444.00)	-
Deferred tax related to convertible bonds	-	(547.89)	-	-	-	-	(547.89)
Total contributions by and distributions to owners	**1,900.01**	**2,271.76**	**1,709.80**	**28,431.92**	**10,017.54**	**47,047.11**	**91,378.14**

Consolidated Statement of Cash Flows for the year ended 31st March, 2012

(Rs. in Lacs)

Particulars	2011-12	2010-11
A. Cash Flow from Operating Activities :		
Loss before Income Tax	(4,569.16)	(12,601.05)
Adjustment for :		
- Depreciation of Property, Plant and Equipments	10,709.56	10,505.99
- Amortisation of Intangible Assets	975.72	784.40
- Net Finance Cost	21,161.58	11,079.70
- Net gain from sale of property, plant and equipment	(217.43)	4.11
- Net gain from sale of Intangible Assets	(39.90)	-
Operating Profit before working capital changes:	28,020.37	9,773.15
Changes in :		
- Trade Receivables & Other Receivables	(15,719.31)	(34,143.47)
- Inventories	(712.48)	(51,648.16)
- Prepayments	779.39	3,457.25
- Trade Payables & Other Payables	(18,553.97)	25,626.84
- Provisions & Liability for Employee Benefit	13,323.16	4,540.64
- Deferred Tax Liability	(593.01)	592.58
Cash Generated from Operations	6,544.15	(41,801.17)
- Interest paid	(13,711.81)	(9,208.64)
- Taxes paid/ provision & Deferred tax	(4,334.56)	(5,677.11)
Net Cash Flow from Operations	(11,502.22)	(56,686.92)
B. Cash Flow from Investment Activities :		
- Interest and Dividend Income	640.17	428.78
- Proceeds from sale of Property, Plant & Equipments	390.35	2,651.32
- Proceeds from sale of Intangible Assets	40.41	-
- Proceeds from sale of Investments	(2,305.59)	(2,512.51)
- Acquisition of Subsidiary, net of cash acquired	(322.90)	(4,187.28)
- Acquisition of Property, Plant & Equipments	(22,359.84)	(17,418.79)
- Acquisition of Intangible Assets	(1.53)	(145.56)
Net cash flow from Investing Activities	(23,918.93)	(21,184.04)
C. Cash Flow from Financing Activities :		
- Issue of Equity Share Capital	-	22,764.62
- Share Application money	478.42	485.11
- Proceeds from Non Convertible Debenture	4,000.00	-
- Proceeds from Long term Borrowings	41,422.72	33,395.88
- Proceeds from Short term Borrowings	15,312.49	29,440.42
Repayment of Borrowings	(20,930.74)	(19,782.31)
Dividend and Corporate Dividend Tax Paid	-	(331.24)
Net Cash Flow from Financing Activities	40,282.89	65,972.48
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	4,861.74	(11,898.48)
Cash and Cash Equivalents as at (Opening)	16,314.22	27,869.58
Effect of exchange rate fluctuations on Cash held	1,233.21	343.12
Cash and Cash Equivalents as at (Closing)	22,409.17	16,314.22

Reconciliation of cash and cash equivalents	2011-12	2010-11
Cash and cash equivalents	24,362.84	18,158.71
Bank overdrafts	(1,953.67)	(1,844.49)
	22,409.17	16,314.22

As per our separate report of
even date attached herewith.
For V. D. Shukla & Co.,
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 3rd September, 2012

For and on behalf of the Board of Directors of
Kiri Industries Limited

Pravin A. Kiri
Chairman

Manish P. Kiri
Managing Director

Suresh S. Gondalia
Company Secretary

Place : Ahmedabad
Date : 3rd September, 2012

Notes to the Consolidated Financial Statements

1 Domicile and activities

Kiri Industries Limited ('KIL' or the 'Company') is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956 (the 'Act'). The Company's shares are listed on Bombay Stock Exchange Limited ("BSE") and National Stock Exchange of India Limited ("NSE").

The Company is engaged in the business of manufacturing of Dyes, Intermediates and Basic Chemicals.

2 Basis of presentation

2.1 Statement of compliance

The consolidated financial statements has been prepared in accordance with International Financial Reporting Standards (IFRS) relevant to prepare such Financial Information for the year under Audit.

2.2 Basis of measurement

The consolidated financial statements has been prepared on the historical cost basis except for the following material items in the statement of financial position:

- compound instruments are measured at fair value;
- assets and liabilities acquired from entities under common control are recognized at the exchange amounts; and
- the defined benefit asset is recognized as plan assets, plus unrecognised past service cost, less the present value of the defined benefit obligation and is limited as explained in note 3.14.

2.3 Functional and presentation currency

These financial statements are presented in INR, which is the Group's functional currency. All financial information presented in INR has been rounded to the nearest Lacs, unless otherwise stated.

2.4 Covenants breach

For the year ended 31st March 2011, the DyStar Group was in breach of the requirement to submit the consolidated financial statements within a stipulated time frame after the end of each financial year and the end of each half of the financial year. Management has obtained waivers from the State Bank of India dated 15th April 2011 and Exim Bank dated 18th August 2011 to submit the audited consolidated financial statements for the financial year ended 31st December 2010 on or before 31st October 2011. The above breach of covenants arose as the DyStar Group was undergoing restructuring and was converting their accounting principles to IFRS.

For the year ended 31st March 2012, the DyStar Group was in breach to submit the consolidated financial statements within a stipulated time frame after the end of each half of the financial year.

In addition, one of the subsidiaries of DyStar Group was in breach from complying with a financial covenant to maintain a current ratio of minimum 1.00:1 and a leverage ratio of maximum 2.

As a result of the above, the affected bank loans amounting to Rs. 33943.13 Lacs were classified as current liabilities as at 31st March 2012.

2.5 Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the repayment terms of the banking facilities as disclosed in note 18.

The Directors of the Company have assessed that the Company will be able to continue its operations as a going concern and will be able to fulfill its financial obligations as and when they fall due within the next 12 months. This assessment is based on the following factors:

i. In order to reduce the impact of existing debt and to ensure smoother Cash Flow, the Company has requested its consortium bankers to provide relaxation to its debts to which the consortium bankers have agreed in principle. The final approval from some banks has been received whereas that from the remaining banks is awaited.

ii. The DyStar Group has obtained a term loan facility of US$50 million. The maturity date is 7th March, 2013.

iii. The DyStar Group has received a financial support letter from Zhejiang LongSheng Group Co., Ltd dated 29th March, 2012 stating that they will not enforce any trade related payables as well as any advance payments received for the next 15 months if the Cash Flow of the Company does not support such payment. These together currently represent more than US$110 million as of 29th March, 2012.

iv. The DyStar Group's forecast for 2012 as well as the business plan for 2013 show sufficient Cash Flows to meet its liabilities as and when they fall due.

Notes to the Consolidated Financial Statements (Contd...)

2.6 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these assumptions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are detailed as follows:

Impairment of property, plant and equipment

Impairment loss is recognized when events and circumstances indicate that the Group's property, plant and equipment may be impaired and the carrying amounts of the property, plant and equipment exceed their recoverable amounts.

Based on the assessments, management determined that no further impairment to the property, plant and equipment is considered necessary as at 31st March, 2012.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. Changes in the expected level of use of the assets and the Group's historical experience with similar assets after taking into account anticipated technological changes could impact the economic useful lives and the residual values of the assets, therefore future depreciation charges could be revised. Any changes in the economic useful lives could impact the depreciation charges and consequently affect the Group's results.

Allowances for stock obsolescence

Management uses judgement to determine the write-down in inventory values due to market price fluctuation or inventory obsolescence. Such reviews are done regularly and actual outcomes could differ from estimates.

Impairment of trade receivables

Trade receivables are recorded at the invoiced amount and do not bear interest. The Group reviews its allowance for impairment for trade receivables regularly. Balances which are over the credit limit days are reviewed individually for collectability. Trade receivables are written off after all means of collection have been exhausted and the potential for recovery is considered remote. Actual results could differ from estimates.

Provision for restructuring costs

A provision for restructuring cost is recognized when there is an approved, detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. In recording the provision for restructuring costs, management is required to make estimates and judgments regarding the amount or range of the probable costs. Management continually assesses the adequacy of estimated costs under restructuring and, if necessary, adjusts the amounts recorded as better information becomes known.

Income and revenue tax

The Group is subject to income and other taxes in several jurisdictions. Significant judgement is required in determining the capital allowances, the types and rates of taxes payable, deductibility of certain expenses, and taxability of certain income during the estimation of the provision for income taxes. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the revenue, provision for income tax and deferred income tax provisions in the period in which such determination is made.

2.7 Risks and uncertainties

Group's net assets, financial position and results of operations are subject to risks and uncertainties. Factors that could affect the future net assets, financial position and results of operations and therefore cause actual results to vary from the expectations include stagnation or a renewed downturn of the global economy, a further increase in overcapacity and intensive competition in the industry, dependence on suppliers, fluctuations in exchange rates, interest rates and commodity prices, significant legal proceedings and other statutory regulations.

Notes to the Consolidated Financial Statements (Contd...)

2.8 Changes in accounting policies

Identification of related party relationships and related party disclosures

From 1st April, 2011, the Group has applied the revised IAS 24 Related Party Disclosures (2010) to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related parties. IAS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of IAS 24 (2010) affects only the disclosures made in the financial statements. There is no financial effect on the results and financial position of the Group for the current and previous financial years. Accordingly, the adoption of IAS 24 (2010) has no impact on loss per share.

3 Significant accounting policies

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements and have been applied consistently by Group entities.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of Kiri Industries Limited, (hereinafter referred to as “the parent Company” or “the Company”), its subsidiaries and joint venture (together referred to as “The Group”)

The Consolidated Financial Statements of the group are prepared in accordance with the International Financial Reporting Standards. The standalone financial statements of the parent Company, its Indian subsidiaries and the joint venture Company had been prepared as per Indian Generally Accepted Accounting Principles which were, for the purposes of consolidation, converted as per the IFRS by making the required adjustments. The financial statements of the overseas subsidiaries had been prepared on the basis of IFRS.

In earlier years, the consolidated financial statements was prepared in accordance with Indian Generally Accepted Accounting Practices. Following the adoption of IFRS, suitable modifications have been made in preparation and presentation of financial statements for the previous year to make it comparable with the figures of year under Audit. Therefore the figures of previous year are not exactly the same as presented in last year. This is done to accommodate the changes in GAAP. Due to inherent diversities in the legal and regulatory environment governing accounting principles, the accounting policies would be better understood when referred from the individual financial statements.

i. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquire; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in income statement.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in income statement.

ii. Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Notes to the Consolidated Financial Statements (Contd...)

iii. Acquisitions from entities under common control

The assets and liabilities acquired from entities under common control are recognised at the exchange amounts based on the actual terms of the agreements. Any gain/loss arising is eliminated at consolidation.

iv. Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income or expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly-controlled entities are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to INR at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to INR at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to INR at exchange rates closely approximate to those ruling at the reporting date. The income and expenses of foreign operations are translated to INR at the average monthly exchange rates prevailing during the period. Components of shareholder's equity are translated using the exchange rate at the date of the transaction.

Exchange differences arising on translation are recognized in the foreign currency translation reserve and in other comprehensive income. On disposal, accumulated translation differences are transferred to profit or loss as part of the profit or loss on disposal.

The financial statements of the individual companies for inclusion in the consolidated financial statements are prepared in their respective functional currencies. A Company's functional currency is that of the economic environment in which it primarily generates and expends cash. The majority of consolidated companies carry out their activities autonomously from a financial, economic and organizational point of view, and their functional currencies are therefore the respective local currencies.

3.3 Revenue

Revenue is measured at the fair value of the consideration received or receivable less discounts and quantity rebates granted.

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the purchaser, receipt of the consideration is probable, the related costs and the amount of the revenue can be measured reliably and the Group ceases to exercise control over the goods sold.

The transfer of risks and rewards varies depending on the individual terms of the sales contract. For the sale of products to domestic customers, the risks and rewards usually pass when the goods are transferred to the respective carrier; on international deliveries, the risks and rewards generally pass when the products are loaded on the ship or aircraft (free on board). Occasionally it is also agreed that the risk only passes when the goods arrived at the customer.

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is measured by reference to the actual costs incurred to date as a percentage of total estimated costs for the contract.

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission earned by the Group.

3.4 Leased payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Notes to the Consolidated Financial Statements (Contd...)

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At the inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criterias are met:

- the fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s)

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Group's incremental borrowing rate.

3.5 Finance income and finance costs

Finance income comprises interest income from deposits and gain on the disposal of investments. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Furthermore, the interest components from defined benefit pension plans and similar obligations and expenses from the winding back of the discounting of provisions for other risks are also reported under the interest expenses.

Foreign currency gains and losses are reported on a net basis as either finance income or expense depending on whether the foreign currency movements are in a net gain or net loss position.

3.6 Tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Minimum alternative tax (MAT) credit, by whatever name known is recognized as an asset only when and to the extent there is convincing evidence that the Group will pay income tax higher than that computed under MAT during the period under which MAT is permitted to be set off under the applicable tax laws. In the year, in which the MAT credit becomes eligible to be recognized as an asset, the said asset is created by way of a credit to the profit and loss account and shown as MAT credit entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Group will pay income tax higher than MAT during the specified period.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when the Company believes that certain positions may not be fully sustained upon review by tax authorities, despite the Company's belief that its tax return positions are supportable. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.7 Intangible assets

Intangible assets acquired are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with indefinite useful lives are reviewed annually to determine whether the assessment of an indefinite useful life continues to be supportable.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization is based on the cost of an asset less its residual value.

Intangible assets with finite useful lives are generally amortized on a straight-line basis over the estimated useful lives, from the date that they are available for use.

The estimated useful lives are as follows:

Intangible Assets	Useful Lives
Acquired Concessions: (e.g. trademarks, patents, internet domains concessions, copyrights, all kinds of rights)	Amortisation period based on expected economic life of up to 20 years.
Software Licenses	3 to 5 years
Capitalised Software Costs	3 to 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted Cash Flows expected to be derived from the use and eventual sale of the assets.

Research and development

Expenditure on research activities, undertaken with the prospect of getting new scientific or technical knowledge and understanding is recognized in profit or loss as incurred.

3.8 Property, plant and equipment

Property, plant and equipment are valued at costs of purchase or conversion including the costs of dismantling and removing the items and restoring the site on which they are located less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is captialised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expenses as incurred. Trade discounts, rebates and similar items are deducted. Costs of conversion of internally produced equipment facilities include all direct costs and allocable overheads incurred in connection with the construction process.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Notes to the Consolidated Financial Statements (Contd...)

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that Group will obtain ownership by the end of the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other income/ other expenses in profit or loss.

The estimated useful lives are as follows:

Property Plant & Equipments	**Useful Lives**
Buildings	20 to 50 years
Land (Land use rights)	Indefinite (20 to 50 years)
Outdoor infrastructure (Roads and other paved areas, bridges, tunnels, parks, gardens, lawns etc.)	10 to 20 years
Plant installations (Parts of buildings serving mainly production purposes, such as high-bay warehouses, silos, tanks, furnaces etc.)	6 to 20 years
Machinery and apparatus	6 to 12 years
Laboratory and research facilities (including machinery and apparatus used for research and laboratory purposes)	3 to 5 years
Storage tanks and pipelines (Storage tanks outside the production area, supply and waste-water pipelines outside buildings)	10 to 20 years
Road Vehicles	4 to 8 years
Computer equipments	3 to 5 years
Furniture and fixtures	4 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The fair value of property, plant and equipment recognized as a result of a business combination is the estimated amount for which a property could be exchanged on the date of the acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

3.9 Leased assets

Leases comprise all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. It is evaluated on the basis of the risks and rewards of a leased item whether ownership of the leased items should be assigned to the lessee (finance leases) or the lessor (operating leases). Operating leases are concluded for the leasing of office buildings, motor vehicles and office equipment. The term of these agreements covers less than the major of the economic useful lives of the respective items and the leases in some cases include extension options and price adjustment clauses. These leases are treated as operating leases and therefore are not recognized in Group's statement of financial position.

Upon initial recognition of a finance lease, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3.10 Inventories

Inventories are measured at the lower of costs of purchase or conversion and net realisable value. Net realisable value is the estimated sales proceeds in the normal course of the business less the estimated costs of completion and the costs

Notes to the Consolidated Financial Statements (Contd...)

to sell. The costs of inventories include the purchase price and other costs in bringing them to their existing location and condition. In addition to the directly allocable direct costs, costs of conversion of finished goods and work in process include overheads incurred in connection with the production process, including appropriate depreciation on production plant assuming normal capacity.

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale and a reasonable profit margin based on the effort required to complete and sell the inventories.

3.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or an equity instrument of another entity.

Financial instruments are initially measured at fair value, partly plus any directly attributable transaction costs. For the purpose of subsequent measurement and regarding the treatment of transaction costs, the financial instruments are allocated to one of the categories defined in IAS 39 "Financial Instruments: Recognition and Measurement". The measurement categories within the meaning of IAS 39 relevant in the Group are loans and receivables and other financial liabilities.

Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial instruments are recognized as soon as the Group becomes a party to the contractual provisions of the financial instrument.

The Group derecognises a financial asset when the contractual rights to the Cash Flows from the asset expire or it transfers the rights to receive the contractual Cash Flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. After initial recognition, loans and receivables are subsequently carried at amortised cost using the effective interest method less impairment losses.

The fair value of trade and other receivables is estimated at the present value of future Cash Flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

Loans and receivables comprise of trade and other receivables and cash and cash equivalents.

Cash and cash equivalents consist primarily of cash balances and call deposits that are used by the Group in the management of its short-term commitments.

Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities as other financial liabilities. Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, the financial liabilities are subsequently measured at amortised cost applying the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of Cash Flows.

Notes to the Consolidated Financial Statements (Contd...)

Fair value, which is determined for disclosure purposes or when acquired in a business combination, is calculated on the present value of future principal and interest Cash Flows, discounted at the market rate of interest at the reporting date.

Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

3.12 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The Group first determines the carrying amount of the liability component by measuring the fair value of a similar liability (including any embedded non-equity derivative features) that does not have an associated equity component. The carrying amount of the equity instrument represented by the option to convert the instrument into ordinary shares is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Interest and gains and losses related to the financial liability are recognized in profit or loss.

On conversion of a convertible instrument, the entity derecognises the liability component and recognizes it as equity. The original equity component remains as equity (although it may be transferred from one line item within equity to another). There is no gain or loss on conversion at maturity.

3.13 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future Cash Flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future Cash Flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and usually reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An

Notes to the Consolidated Financial Statements (Contd...)

impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future Cash Flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognized in the income statement. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of assets recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

3.14 Employee benefits

Parent Company

i. Contributions to Employees' Provident Fund remitted to statutory authority are charged to revenue.

ii. Liability on leave encashment to employees is provided on mercantile basis.

iii. The Company has made an arrangement with Life Insurance Corporation of India / State Bank of India for covering gratuity liability covering past services as well.

For DyStar Group

Defined contribution plans

Under a defined contribution plan, the Company's obligation is to make regular contributions to a separate fund. These may be compulsory contributions to state pension plans, contractually agreed or voluntary contributions to state or private plans, or contributions to self-governing employee funds. The Company has no further direct obligation beyond the payment of these contributions. As a consequence actuarial risk and investment risk fall on the employee.

The amount of an employee's future retirement benefits is based on the contributions paid and the performance of the relevant fund.

The Company's contributions are to be recognized as expenses in the periods in which they were paid and allocated to the cost of goods sold, selling expenses, research and development expenses or general administration expenses.

Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Defined benefit plans resulting in pensions and similar obligations

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Dystar Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The measurement of defined benefit plans for pensions and other post-employment benefits in accordance with IAS 19 "Employee Benefits" is based on the "projected unit credit method". Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit rated bonds that have maturity dates approximating the terms of Dystar Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary.

When the calculation results in a benefit to Dystar Group, the recognized asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to Dystar Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Notes to the Consolidated Financial Statements (Contd...)

When the benefits under a plan are changed, the portion of the change in benefit relating to past service by employees is recognized in profit or loss straight-line over the average period until the benefits become vested. To the extent that the benefits are already vested, the impact is recognized immediately in profit or loss.

The Group recognizes all actuarial gains and losses in other comprehensive income in the period in which they occur and all expenses related to defined benefit plans in profit and loss.

The Group recognizes gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service cost that had not previously been recognized.

Other long-term employee benefits

Other long-term employee benefits include, for example:

- Long-term compensated absences such as long-service or sabbatical leave;
- Jubilee or other long-services benefits;
- Long-term disability benefits;
- Profit-sharing and bonuses payable twelve months or more after the end of the period in which the employees render the related service; and
- Deferred compensation paid twelve months or more after the end of the period in which it is earned.

Long-term personnel commitments (residual term > 1 year) are ascertained using actuarial principles and the projected unit credit method, whereby the actuarial profits/ losses and past service cost immediately affect net income. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of Dystar Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if Dystar Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.15 Provisions

Provisions for uncertain obligations to third parties are set up if, as a result of a past event, The Group has a present legal or constructive obligation, an outflow of resources is probable and the amount of the obligation can be reliably estimated. Provisions are determined by discounting the expected future Cash Flow at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. Non-current provisions are recognized at the present value.

Trade related commitments

Provisions for trade-related commitments include subsequent payments to customers relating to goods and services purchased in the accounting period, such as patronage or other rebates in cash or in kind. Provisions are recognized when the underlying products or services are sold based on the amount of the anticipated future payments.

Provisions are also established for warranty liabilities, irrespective of whether the guarantees are given by virtue of a legal or contractual obligation or simply as a matter of business courtesy, regardless of the reasons for such courtesy. A provision for warranties is recognized when the underlying goods on services are sold. The provision is based on historical warranty data.

These provisions also include impending losses on purchase or sales contracts at the amount of the anticipated losses. A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract a lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

Restructuring

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Notes to the Consolidated Financial Statements (Contd...)

Termination benefits

Termination benefits are granted if an employee is terminated before the normal retirement age or if an employee leaves the Company voluntarily in return for the payment of a termination benefit. A provision for termination benefits is recorded if it is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate the employment of current employees or if it is demonstrably committed to pay termination benefits if employees leave the Company voluntarily.

3.16 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

3.17 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st April, 2011, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets, and IFRS 7 Financial Instruments: Disclosures — Transfer of Financial Assets. The amendments to IFRS 7 relate to extended disclosure obligations on the transfer of financial assets. These are intended to enable users to better understand the relationship between the financial assets transferred and the corresponding financial liabilities. Furthermore, the nature and especially the risks of a continuing involvement when financial assets are derecognised should be easier to evaluate. With the amendments, additional disclosures are also required if an exceptionally large number of transfers with continuing involvement for instance take place around the end of the reporting period. The Group is in the process of determining the impact on the financial information.

4 Subsidiaries & Joint Venture

The subsidiaries are:

Sr. No	Name of Company	Ownership in % either directly or through Subsidiaries		Country of Incorporation
		2011-12	**2010-11**	
A	**Subsidiaries**			
	i) Synthesis International Limited (Formerly known as Kiri International Hong Kong Limited	100	100	Hong Kong
	ii) Kiri International (Mauritius) Private Limited @	100	100	Mauritius
	iii) Kiri Investment & Trading Singapore Pvt Ltd @	100	100	Singapore
	iv) Kiri Peroxide Limited @	100	-	India
	v) S.M.S Chemicals Co. Ltd @	100	-	Taiwan
	vi) DyStar Global Holdings (Singapore) Pte. Ltd (Formerly known as Kiri Holding Singapore Private Limited)	100	100	Singapore
	Step Down Subsidiary of Dystar Global Holdings (Singapore) Pte Ltd			
	1. DyStar Colours Deutschland GmbH #	-	100	Germany
	2. DyStar Denim GmbH	100	100	Germany
	3. DyStar Colours Distribution GmbH	100	100	Germany
	4. DyStar Pakistan (Pvt) Ltd.	100	100	Pakistan
	5. DyStar UK Ltd.	100	100	Great Britain

Notes to the Consolidated Financial Statements (Contd...)

Sr. No	Name of Company	Ownership in % either directly or through Subsidiaries		Country of Incorporation
		2011-12	2010-11	
	6. DyStar – Anilinas Texteis Lda.	100	100	Portugal
	7. DyStar Benelux S.P.R.L.	99.94*	99.94*	Belgium
	8. DyStar France S.A.R.L. !	99.99*	99.99*	France
	9. DyStar Hispania, S.L.	99.99*	99.99*	Spain
	10. DyStar Italia S.r.l	100	100	Italy
	11. DyStar Korea Ltd.	100	100	Korea
	12. DyStar Auxiliaries GmbH #	-	100	Germany
	13. DyStar Nanjing Colours Co., Ltd.	100	100	China
	14. DyStar Singapore Private Ltd.	100	100	Singapore
	15. DyStar South Africa (PTY) Ltd.	100	100	South Africa
	16. DyStar Taiwan Ltd.	100	100	Taiwan
	17. DyStar Tekstil Boya ve Teknolojisi Sanayi Ticaret Limited Sirketi !#	-	99.95*	Turkey
	18. Color Solutions International (shanghai) Co Ltd (Formerly known as DyStar Textile Services (Shanghai) Co Ltd.)	100	100	China
	19. DyStar Thai Ltd.	99.99*	99.99*	Thailand
	20. DyStar Wuxi Colours Co., Ltd.	100	100	China
	21. PT DyStar Colours Indonesia	100	100	Indonesia
	22. Boehme Asia Limited	99.80*	99.80*	Hong Kong
	23. DyStar (Hangzhou) Chemical Company Limited (Formerly known as Boehme (Hangzhou) Chemical Auxiliary Co. Ltd.)	100	100	China
	24. DyStar (Shanghai) Trading Co., Ltd	100	100	China
	25. DyStar China Ltd.	100	100	Hong Kong
	26. DyStar India Private Limited	100	100	India
	27. Texanlab Laboratories Private Limited	100	90	India
	28. DyStar Industria e Comercio de Produtos Quimicos Ltda.	100	100	Brazil
	29. DyStar Japan Ltd.	100	100	Japan
	30. DyStar Kimya Sanayi ve Ticaret Ltd. !	99.99*	99.99*	Turkey
	31. DyStar Boehme Africa (Pty) Ltd.	100	100	South Africa
	32. DyStar Acquisition Corporation ^	100	100	USA
	33. DyStar Americas Holding Corp. ^	100	100	USA
	34. DyStar LP USA ^	100	100	USA
	35. Boehme Filatex ^	100	100	Canada
	36. DyStar de Mexico, S. de R.L. de C.V. ^	100	77	Mexico

^ Part of the for the FY 2011-12

! In respect of these subsidiaries, the financial statements for the financial year ended are not required to be audited as per the local laws of the Company.

Companies have either been closed or disposed and excluded from the consolidation Group.

@ Companies have not been included in the consolidated financial statements as they are not material to the Group.

* Percentage of shareholding mentioned above represents registered share holding, since the law of the respective countries require representation in shareholding by local persons. For the purpose of consolidation such shareholding by local persons are ignored because beneficiary of shareholding is Group.

Notes to the Consolidated Financial Statements (Contd...)

Sr. No	Name of Company	Ownership in % either directly or through Subsidiaries		Country of Incorporation
		2011-12	2010-11	
B	**Joint Ventures of**			
	i) **Kiri Industries Limited**			
	1. Lonsen Kiri Chemical Industries Limited	40.00	40.00	India
C	**Associate Company of**			
	i) **Kiri Industries Limited**			
	1. Kiri Infrastructure Private Limited	47.61	47.61	India

5 Revenue

The Group revenue results from sale of textile dyes, auxiliaries and services for the textile industries. The product range covers dyes and auxiliaries for almost all fibres and quality specifications.

(Rs. in Lacs)

Particulars	2011-2012	2010-2011
Sale of Products	393,783.80	361,128.74
Rendering of Services	15,102.15	6,034.93
Other Operating Revenue	1,997.56	1,018.44
Total	**410,883.51**	**368,182.11**

Commission relates to the sale of products in which the Group acts as an agent in the transaction rather than as a principal. Management considered the following factors in distinguishing between an agent and a principal:

- The Group does not take title of the goods and has no responsibility in respect of goods sold
- Although the Group collects the revenue from final customer, all credit risk is borne by the supplier of the goods

6 Other income **(Rs. in Lacs)**

Particulars	2011-2012	2010-2011
Gain on disposal of Property, Plant & Equipments	249.58	434.13
Gain on Restructuring	8,056.85	-
Gain on Acquisition of subsidiaries	-	3,708.33
Rent Income	86.07	218.01
Reversal of Excess Provision	480.50	634.37
Others	2,569.75	2,153.26
Total	**11,442.75**	**7,148.10**

For the year ended 31st March, 2012, the DyStar Group signed a settlement agreement with the insolvency administrators of the former Dystar Group holding company, DyStar Textilfarben GmbH and DyStar Textilfarben GmbH & Co. Detschland KG. Both parties agreed to settle the claims against each other at specified amounts which resulted in a gain of Rs. 8003.61 Lacs.

Notes to the Consolidated Financial Statements (Contd...)

7 **Other Expenses** (Rs. in Lacs)

Particulars	2011-2012	2010-2011
Impairment Loss on Trade Receivables	2,651.44	(1,599.16)
Provision for Doubtful Debts / Write off of Receivables	2,992.06	470.05
Loss on Disposal of Assets	8.62	268.92
Provision for Fiscal Lawsuits	239.52	1,512.96
Provision for Accrual of Expenses	135.49	1,072.39
Other Miscellaneous Expenses	2,432.74	3,246.69
Total	**8,459.87**	**4,971.85**

8 **Finance income and finance cost** (Rs. in Lacs)

Particulars	2011-2012	2010-2011
Interest income on loans and receivables	948.17	188.78
Net gain on disposal of investments	26.07	76.99
Finance income (A)	**974.24**	**265.77**
Interest expense	15,160.27	8,882.54
Finance cost on convertible bond	602.14	516.29
Interest expense on pensions and similar obligations	40.24	598.75
Other interest and finance expense	673.70	540.52
Net foreign exchange loss	5,659.47	807.37
Finance cost (B)	**22,135.82**	**11,345.47**
Net finance cost (B-A)	**21,161.58**	**11,079.70**

9 **Loss before income tax**

The following items have been included in arriving at loss before income tax: (Rs. in Lacs)

Particulars	2011-2012	2010-2011
Staff cost	62,658.34	64,165.47
Operating lease expenses	7,278.90	5,992.14
Depreciation of property, plant and equipment	10,709.56	10,505.99
Amortisation of intangible assets	975.72	784.40
Impairment loss of trade and other receivables	2,651.44	(1,599.16)
Write-back of trade receivables	(96.29)	(15.71)

10 **Income taxes**

Income taxes comprise current taxes on income (paid or owed) in the individual countries and deferred taxes. The tax rates which are applicable on the reporting date are used for the calculation of current taxes. Tax rates for the expected period of reversal which are enacted or substantively enacted at the reporting date are used for the deferred taxes.

Notes to the Consolidated Financial Statements (Contd...)

Deferred taxes are recognized as tax expenses or income in the statements of comprehensive income, unless they relate to items directly recognized in equity. In these cases the deferred taxes are also recognized directly in equity.

(Rs. in Lacs)

Particulars	2011-2012	2010-2011
Current Tax expenses		
Current year	3,144.78	2,777.72
Adjustment for prior years	215.47	(50.74)
	3,360.25	**2,726.98**
Deferred tax income		
Originating and reversal of temporary differences	(710.73)	(2,136.22)
Recognition of previously unrecognized tax losses	(152.80)	(395.12)
Change in unrecognized temporary differences	(196.87)	(1,556.23)
	(1,060.40)	**(4,087.57)**
Income Tax expenses / (Credit)	**2,299.85**	**(1,360.59)**

11 **Property, plant and equipment** (Rs. in Lacs)

Particulars	Land & Buildings	Technical Plant & Machinery	Other Equipment, Furniture & Fixtures	Construction in Progress	Total
Cost					
Balance at 1st April, 2010	25,142.52	38,543.68	3,352.82	1,026.94	68,065.96
Acquisition through Business Combinations	747.38	980.33	8.91	112.24	1,848.86
Additions	2,150.41	10,687.26	887.65	3,696.99	17,422.31
Disposals / Reclassifications	(338.55)	(1,490.92)	(235.98)	(1,206.76)	(3,272.21)
Foreign Currency Differences	241.78	798.25	55.42	81.91	1,177.36
Balance as at 31st March, 2011	27,943.54	49,518.60	4,068.82	3,711.32	85,242.28
Additions	1,761.36	7,196.05	1,027.75	15,941.56	25,926.72
Disposals / Reclassifications	586.30	(347.75)	13.89	(5,951.84)	(5,699.40)
Foreign Currency Differences	2,742.94	3,560.65	291.19	417.81	7,012.59
Balance as at 31st March, 2012	33,034.14	59,927.54	5,401.65	14,118.86	112,482.19
Accumulated Depreciation					
Balance at 1st April, 2010	350.67	2,709.16	403.13	-	3,462.96
Depreciation for the Period	1,917.78	7,742.20	846.01	-	10,505.99
Disposals / Reclassifications	2.69	(163.89)	(316.17)	-	(477.37)
Foreign Currency Differences	(186.02)	(465.45)	7.44	-	(644.03)
Balance as at 31st March, 2011	2,085.12	9,822.02	940.41	-	12,847.55
Depreciation for the Period	1,990.86	7,879.13	839.57	-	10,709.56
Disposals / Reclassification	(50.30)	(1,389.58)	(89.09)	-	(1,528.97)
Foreign Currency Differences	346.88	1,245.85	104.71	-	1,697.44
Balance as at 31st March, 2012	4,372.56	17,557.42	1,795.60	-	23,725.58
Carrying Amounts					
At 1st April, 2010	24,791.86	35,834.52	2,949.69	1,026.94	64,603.00
At 31st March, 2011	25,858.42	39,696.58	3,128.41	3,711.32	72,394.73
At 31st March, 2012	28,661.58	42,370.12	3,606.05	14,118.86	88,756.61

Notes to the Consolidated Financial Statements (Contd...)

Contractual commitments for the acquisition of property, plant and equipment amounted to Rs. 4175.58 Lacs (P.Y. Rs. 6560.22 Lacs) as at 31st March, 2012.

The total depreciation expense for property, plant and equipment is included in the consolidated statement of comprehensive income in the following line items:

(Rs. in Lacs)

Particulars	2011-2012	2010-2011
Cost of Sales	7,702.85	7,209.08
Selling expenses	502.34	2,683.43
General administrative expenses	2,504.37	613.48
Total	**10,709.56**	**10,505.99**

12 Intangible Assets (Rs. in Lacs)

Particulars	2011-2012	2010-2011
Cost		
Balance at 1st April	7,046.66	5,035.37
Acquisition through Business Combinations	-	1,507.68
Additions	1.44	146.37
Disposals	(3.35)	-
Reclassifications	9.10	139.19
Foreign Currency Differences	694.33	218.05
Balance as at 31st March	**7,748.18**	**7,046.66**
Accumulated and Amortisation		
Balance at 1st April	1,025.16	176.05
Amortisation for the year	975.72	784.40
Disposals	(2.87)	-
Reclassifications	-	5.84
Foreign Currency Differences	235.12	58.87
Balance as at 31st March	**2,233.13**	**1,025.16**
Carrying amounts at 31st March	**5,515.05**	**6,021.50**

(Rs. in Lacs)

Particulars	2011-2012	2010-2011
Cost of Sales	457.92	195.76
Selling Expenses	-	14.82
General administrative Expenses	517.80	573.82
Total	**975.72**	**784.40**

There are no contractual commitments for the acquisition of intangible assets.

Notes to the Consolidated Financial Statements (Contd...)

13 Other Receivables **(Rs. in Lacs)**

Particulars	As at 31.03.2012	As at 31.03.2011
Reimbursement claims from other taxes	8,081.46	7,182.50
Trade bill receivables	1,176.49	8,272.73
Deposits	2,963.93	2,174.02
Restricted cash	9,082.84	-
Others	11,692.15	18,480.30
Total	**32,996.87**	**36,109.55**
Current	24,263.03	28,640.06
Non-current	8,733.84	7,469.49
Total	**32,996.88**	**36,109.55**

14 Inventories **(Rs. in Lacs)**

Particulars	As at 31.03.2012	As at 31.03.2011
Finished goods	106,025.78	105,802.53
Raw materials and consumables	27,861.02	29,403.49
Goods in transit	15,370.48	17,484.29
Work in progress	13,416.15	13,296.77
Packing Material	300.59	323.65
	162,974.02	166,310.73
Allowance for stock obsolescence	(9,053.68)	(13,609.32)
Total	**153,920.34**	**152,701.41**

In the year 2011-12, the write-downs of inventories to net realisable value recognized as expense amounted to Rs. 321.77 Lacs (P.Y. Rs. Nil).

Advance payments by Kiri Group for inventories of Rs. 778.48 Lacs (P.Y. Rs. 6350.99 Lacs) are shown under “Prepayments”.

At 31st March, 2012, inventories of the Group with a carrying amount of Rs. 81019.26 Lacs (P.Y. Rs.74307.38 Lacs) are pledged as security to secure bank loans.

15 Trade receivables **(Rs. in Lacs)**

Particulars	As at 31.03.2012	As at 31.03.2011
Amount due from external parties	105,534.02	84,104.99
Amount due from related parties	779.51	(270.32)
Carrying amount (gross)	106,313.53	83,834.67
Allowance	(10,376.07)	(6,729.20)
Carrying amount (net)	**95,937.46**	**77,105.47**

Notes to the Consolidated Financial Statements (Contd...)

The movement in the allowance for impairment is as follows: **(Rs. in Lacs)**

Particulars	2011-2012	2010-2011
Opening balance	(6,729.20)	(7,277.50)
Addition from acquisition of subsidiaries	-	(249.15)
Write-back of receivables	102.83	15.63
Impairment loss recognised	(3,252.75)	-
Amounts written off	(45.02)	(483.11)
Currency translation and other changes	(451.93)	1,264.93
Balance at 31st March	**(10,376.07)**	**(6,729.20)**

16 Cash and cash equivalents **(Rs. in Lacs)**

Particulars	As at 31.03.2012	As at 31.03.2011
Cash at banks	24,244.46	18,017.97
Cheques and cash in hand	118.38	140.74
Cash and cash equivalents in the statement of financial position	24,362.84	18,158.71

Cash and cash equivalents consist of following for the purpose of the Cash Flow statement.

(Rs. in Lacs)

Particulars	As at 31.03.2012	As at 31.03.2011
Cash and cash equivalents	24,362.84	18,158.71
Bank overdrafts	(1,953.67)	(1,844.49)
Total	**22,409.17**	**16,314.22**

At 31st March, 2012, cash and cash equivalents of the Group with a carrying amount of Rs. 10163.26 Lacs (P.Y. Rs. 3404.12 Lacs) are pledged as security to secure bank loans. These pledged deposits are available for use at any time by the Group.

17 Equity

Share capital

The 19,000,053 shares are all fully paid of Rs 10 per share. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Capital reserve

The reserve comprises the equity component of the convertible bond and the related deferred tax effect.

Redemption Reserve

Redemption reserves comprises the debenture redemption reserve and capital redemption reserve.

Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial information of foreign operations.

Other comprehensive income

The other comprehensive income comprises of actuarial movements from the provision of defined employee benefits.

After the respective reporting dates, no dividends were proposed by the Directors.

Notes to the Consolidated Financial Statements (Contd...)

18 Loans and borrowings

Terms and Debt repayment schedule

Terms and conditions of outstanding loans are as follows. **(Rs. in Lacs)**

Particulars	Group	Year of maturity	As at 31.03.2012
Bank loan	Dystar	2012-2015	25,074.36
Bank loan	Dystar	2012-2015	8,866.44
Bank loan	Dystar	2013	15,346.95
Bank loan	Dystar	2012	5,115.65
Bank loan	Dystar	2013	3,887.89
Bank loan	Dystar	2012	2,573.17
Bank loan	Dystar	2012	2,557.83
Bank loan	Dystar	2012	2,046.26
Bank loan	Dystar	2012	1,432.38
Bank loan	Dystar	2012	767.35
Bank loan	Dystar	2013	434.83
Bank loan	Dystar	2016	607.74
Bank loan	Dystar	2012	2,471.88
Bank loan	Dystar	2013	617.97
Bank loan	Dystar	2016	1,173.02
Bank loan	Dystar	2012	13,786.68
Bank loan	Dystar	2012	8,109.84
Bank loan	Dystar	2012	770.42
Bank loan	Dystar	2012	2,311.25
Bank loan	Dystar	2012	1,216.50
Working capital loans from consortium bankers	Kiri Industries Limited	-	28,774.95
Term loans from banks	Kiri Industries Limited	-	11,309.53
Working capital loans from consortium bankers	Lonsen Kiri Chemical Industries Limited	-	1,174.12
Term loans from banks	Lonsen Kiri Chemical Industries Limited	-	140.75
Total bank loans			**140,567.76**
Bank overdrafts	-	-	1,953.67
Other financial liabilities	-	-	4,425.40
Convertible bond	-	-	13,061.28
Finance lease liabilities	-	-	63.95
Non convertible debenture	-	-	3,800.00
Total interest-bearing liabilities			**163,872.06**
Bank overdrafts			1,953.67
Current			130,773.42
Non-current			31,144.97

Notes to the Consolidated Financial Statements (Contd...)

(Rs. in Lacs)

Particulars	Group	Year of maturity	As at 31.03.2011
Bank loan	Dystar	2011-2015	29,848.53
Bank loan	Dystar	2011	507.23
Bank loan	Dystar	2011-2015	9,512.24
Bank loan	Dystar	2011	2,418.24
Bank loan	Dystar	2011	1,250.20
Bank loan	Dystar	2011	2,232.50
Bank loan	Dystar	2011	109.39
Bank loan	Dystar	2011	115.64
Bank loan	Dystar	2011	2,962.53
Bank loan	Dystar	2011	10,292.72
Bank loan	Dystar	2011	5,537.49
Bank loan	Dystar	2011	1,715.45
Bank loan	Dystar	2011	8,817.48
Working capital loans from consortium bankers	Kiri Industries Limited	-	19,831.36
Term loans from banks	Kiri Industries Limited	-	12,631.39
Working capital loans from consortium bankers	Lonsen Kiri Chemical Industries Limited	-	1,002.79
Total bank loans			**108,785.18**
Bank overdrafts	-	-	1,844.49
Other financial liabilities	-	-	9,578.15
Convertible bond	-	-	11,569.71
Finance lease liabilities	-	-	149.13
Total interest-bearing liabilities			**131,926.65**
Bank overdrafts			1,844.49
Current			102,813.97
Non-current			27,268.20

19 **Employee benefits**

For the Parent Company

The present value of gratuity and leave encashment obligations is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of services as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

1. **Defined Benefit Plans:** (Rs. in Lacs)

Particulars	Gratuity	Leave Encashment
I. Expense recognized during the year		
Current Service Cost	19.16	10.66
Interest Cost	9.30	2.34
Expected return on plan assets	-	-
Net actuarial Losses (Gains)	(12.59)	(24.50)

Notes to the Consolidated Financial Statements (Contd...)

(Rs. in Lacs)

Particulars		Gratuity	Leave Encashment
II.	**Reconciliation of opening and closing balances of defined benefit obligation:**		
	Defined benefit obligation at beginning of the Year	111.93	27.99
	Service Cost	19.16	10.66
	Interest Cost	9.30	2.34
	Actuarial Losses (Gains)	(12.59)	(24.50)
	Losses (Gains) on curtailments	-	-
	Liabilities extinguished on settlements	-	-
	Benefits paid	(1.61)	(6.54)
	Defined benefit obligation at end of the year.	126.19	9.95
III.	**Reconciliation of opening and closing balances of fair value of plan assets:**		
	Fair value of plan assets at the beginning of the year	27.07	27.99
	Expected return on plan assets	2.44	-
	Actuarial Gains (Losses)	(0.30)	(24.50)
	Contributions by employer	-	-
	Benefit paid	(1.60)	(6.54)
	Defined benefit obligation at the end of the year.	27.61	9.95
IV.	**Reconciliation of the present value of defined benefit obligation and fair value of planed assets:**		
	Present value of defined benefit obligations at the end of the year	27.61	(9.95)
	Fair value of plan assets at the end of the year	-	-
	Net assets (liability) at the end of year	27.61	(9.95)
V.	**Investment details:**	**Percentage invested as at 31.03.2012**	
	Life Insurance Corporation of India (LIC) / SBI Life Insurance Company Ltd. (SBI)	100%	
VI.	**Actuarial Assumptions:**		
	Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)
	Discount Rate (per annum)	8.75%	8.75%
	Expected Return on plan assets (per annum)	8.60%	0.00%
	Annual Increase in salary costs	6.00%	6.00%

2. **Defined Contribution plans**

Contribution of Defined Contribution Plan, recognized as expense for the year as under: **(Rs. In Lacs)**

Particulars	2011-12	2010-11
Employer's Contribution to Provident Fund	52.45	43.25
Employer's Contribution to Superannuation Fund	—	—

For DyStar Group

Financial position employee benefits only comprises net obligations from defined benefit pension plans. Other employee benefit obligations are presented under provisions and other payables.

Notes to the Consolidated Financial Statements (Contd...)

Defined Benefit Plans:

Defined benefit plans exist for the pension obligations to the employees. The pension plans depend on the legal, tax and economic situation in the respective countries and are generally based on the years of service and salaries of the employees. The plans are financed by setting up provisions.

Provisions for pension obligations are recognised for retirement, disability and surviving dependents' benefits based on pension plans. The provisions are set up exclusively for defined benefit plans in which the entity guarantees the employees a certain range of benefits.

The unfunded status is as follows: **(Rs. in Lacs)**

Particulars	2011-2012	2010-2011
Present value of defined benefit obligations (DBO)	5,101.68	5,245.93
Less: Fair value of plan assets	(1,014.78)	(1,080.98)
Unfunded status	**4,086.90**	**4,164.95**

The unfunded status is reported under the employee benefits in the statement of financial position.

The development of the present value of the defined benefit obligations is as follows: **(Rs. in Lacs)**

Particulars	2011-2012	2010-2011
Opening balance present value of defined benefit obligations	5,245.93	4,981.20
DBO from acquisition of Dystar business	-	75.42
Current service costs	0.37	448.50
Interest cost	0.21	133.79
Employee Contributions	0.01	-
Net actuarial (gain) / loss	(0.23)	121.22
Foreign currency differences	(143.52)	228.36
Benefits paid	(0.76)	(505.97)
Curtailments/Settlements	(0.33)	(236.60)
Present value of defined benefit obligations at 31st March	**5,101.68**	**5,245.92**

The development of the fair value of plan assets is as follows: **(Rs. in Lacs)**

Particulars	2011-2012	2010-2011
Opening balance fair value of plan assets	1,080.98	996.69
Plan assets from acquisition of Dystar Group	-	-
Expected return on plan assets	40.24	12.57
Net actuarial loss	(6.23)	-
Foreign currency differences	126.38	24.13
Contributions by the employer	72.33	37.26
Benefits paid	(217.96)	(12.57)
Curtailments/Settlements	(80.96)	22.90
Present value of plan assets at 31st March	**1,014.78**	**1,080.98**

Notes to the Consolidated Financial Statements (Contd...)

The measurement date for Dystar Group's pension obligations is generally 31st December. The measurement date for Dystar Group's net periodic pension cost is generally the beginning of the period. Assumed discount rates, salary increases and long-term return on plan assets vary according to the economic conditions in the country in which the pension plan is situated.

The following measurement factors were used to determine the pension obligations:

Per annum	2011-12	2010-11
Discount rate	1.3 % - 15.0 %	1.3 % - 9.0 %
Expected return on plan asset	2.0 % - 9.3 %	1.5 % - 4.0 %
Salary increases	1.0 % - 10.0 %	2.0 % - 8.0 %
Pension increases	2.0 % - 5.0 %	2.0 % - 4.0 %

The discount rates for the pension plans are determined annually as of 31st December on the basis of first-rate, fixed interest industrial bonds with maturities and values matching those of the pension payments.

The components of net pension cost (income) are as follows: **(Rs. in Lacs)**

Particulars	2011-2012	2010-2011
Current service costs	373.62	448.55
Interest cost	213.63	133.80
Expected return on plan assets	(40.24)	(12.57)
Net periodic pension cost	**547.01**	**569.78**

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The expected return is based on historical returns.

The expense items in the consolidated statement of comprehensive income include the following expenses for defined benefit plans:

(Rs. in Lacs)

Particulars	2011-2012	2010-2011
Distribution expenses	205.49	188.58
Administrative expenses	341.53	383.45
Finance expenses	40.24	10.33
Total	**587.26**	**582.36**

Expected pension benefit payments for the year 2011-12 amount to Rs. 896.83 Lacs.

The actuarial gain/(loss) recognized in other comprehensive income refers to: **(Rs. in Lacs)**

Particulars	2011-2012	2010-2011
Amount accumulated in retained earnings at 1st April	(120.56)	-
Recognised during the year	224.41	(120.56)
Amount accumulated in retained earnings at 31st March	**103.85**	**(120.56)**

Notes to the Consolidated Financial Statements (Contd...)

20 Provisions (Rs. in Lacs)

Particulars	Trade related commitments	Personnel	Restructuring	Other taxes	Miscellaneous	Total
Balance at 1st April 2011	1,420.76	7,159.63	17,090.67	561.25	3,875.62	30,107.93
Exchange differences	150.89	398.41	605.86	51.44	336.48	1,543.08
Utilisations	(517.80)	(4,252.56)	(8,611.46)	(54.61)	(2,691.98)	(16,128.41)
Reversals	(351.58)	(1,307.19)	(6,272.03)	(74.72)	(16.77)	(8,022.29)
Additions	1,268.39	2,112.39	4,641.99	43.59	1,236.78	9,303.14
Unwind of discount	52.21	7.19	-	-	-	59.40
Balance at 31st March 2012	2,022.87	4,117.87	7,455.03	526.95	2,740.13	16,862.85
Current	2,022.87	3,411.86	6,884.60	35.81	945.95	13,301.09
Non-current	-	706.01	570.43	491.14	1,794.18	3,561.76
Balance at 1st April 2010	1,258.50	4,565.01	17,267.86	577.34	2,846.08	26,514.79
Business Combinations	-	300.65	93.53	-	184.84	579.02
Exchange differences	31.15	172.90	747.62	6.81	249.78	1,208.26
Utilisations	(731.42)	(2,476.24)	(16,780.48)	(218.22)	(2,187.08)	(22,393.44)
Reversals	-	-	(78.58)	-	(150.42)	(229.00)
Additions	862.53	4,597.31	15,840.72	195.32	2,932.42	24,428.30
Balance at 31st March 2011	1,420.76	7,159.63	17,090.67	561.25	3,875.62	30,107.93
Current	1,420.76	6,490.77	16,922.35	14.73	2,343.23	27,191.84
Non-current	-	668.86	168.32	546.52	1,532.39	2,916.09

The discount rate applied ranges from 3.5% to 4.8%.

The provisions for personnel costs include primarily termination benefits from restructuring plans, anniversary bonuses, and obligations under partial retirement arrangements and management bonuses.

The miscellaneous provisions consist of provisions for guarantees, outstanding contract work for completed contracts, damages, professional fees and other business risks.

21 Trade and Other Payables (Rs. in Lacs)

Particulars	As at 31.03.2012	As at 31.03.2011
Current		
Trade payables	86,030.95	73,838.43
Accrued expenses	3,669.97	3,003.62
Liabilities to employees	2,108.05	913.94
Liabilities to social security funds	237.88	318.35
Accrued interest – related parties	2,741.48	262.10
Accrued interest – banks	331.37	492.94
Tax (other) liabilities	2,844.76	2,606.23
Others-related parties	-	877.82
Proposed dividend	-	285.00
Others	14,117.41	8,858.84
Total	**112,081.87**	**91,457.27**

Notes to the Consolidated Financial Statements (Contd...)

(Rs. in Lacs)

Particulars	As at 31.03.2012	As at 31.03.2011
Non-current		
Liabilities to social security funds	194.91	156.28
Tax (other) liabilities	1,115.72	859.51
Others-related parties	126.87	-
Others	2,482.49	893.89
Total	**3,919.99**	**1,909.68**

22 **Other Financial Commitments** (Rs. in Lacs)

Particulars	2011-2012	2010-2011
Capital commitments for property, plant and equipment		
Less than 1 year	1.44	27.39
Obligations under rental and leasing agreements		
Less than 1 year	4,095.80	5,035.51
1 to 5 years	1,707.57	2,515.92
More than 5 years	-	61.51
Estimated amount of contracts remaining to be executed on capital account and not provided for	3,782.64	5,794.19

The obligations under rental and leasing agreements relate exclusively to leases under which entities of the Dystar Group are not the economic owners of the leased assets. The obligations reported under this item are based on operating leases.

No significant other financial commitments exist for contingent rental payments or payments under subleases.

23 **Contingent Liabilities not provided for** (Rs. in Lacs)

Particulars	As at 31.03.2012	As at 31.03.2011
Bank Guarantees given by		
• Parent Company Rs.25286.23 lacs (P.Y. Rs. 33865.38 lacs)		
• Joint Venture Company Rs. 55.40 lacs (P.Y. Rs. 55.40 lacs)	25,341.63	33,920.78
Corporate Guarantees given by Parent Company on behalf of :		
• Joint Venture Company Rs. 8900.00 lacs (P.Y.Rs. 8900.00 lacs)	17765.28	18900.00
• Subsidiary Company Rs. 8865.27 lacs (P.Y. Rs. 10,000.00 lacs)		
Claims against the Company not acknowledged as debts:		
Income Tax / Excise[under disputed Income Tax / Excise matters for various assessment years for which appeals are pending with Appellate authorities.]	1,886.44	1,443.42
Total	**44,993.35**	**54,264.20**

24 **Financial instruments**

a. **Carrying amounts and fair values**

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Notes to the Consolidated Financial Statements (Contd...)

Convertible bond

The initial carrying amount of the convertible bond of EUR 22 million has been allocated into its liability and equity component with the equity component assigned the residual amount after deducting the separately determined fair value of the liability component from initial carrying amount. The fair value of the convertible bond is determined by using an interest rate of 5.005%. This interest rate is based on a Euro Swap-Offer-Rate (1.201%) as a benchmark plus a spread of 2.4%.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal Cash Flow, discounted at the market rate of interest at the reporting date.

Bank loans

The carrying amounts of and bank loans and related party loans which are re-priced within 3 months from the reporting date approximate the corresponding fair values.

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of one year or less (including other receivables, cash and cash equivalents and other payables and accruals) approximate their fair values because of the short period to maturity.

The following table shows the carrying amounts and fair values of the Group's financial instruments as of 31st March, 2012 and 31st March, 2011.

(Rs. in Lacs)

Particulars	As at 31.03.2012 Carrying	As at 31.03.2012 Fair value amount	As at 31.03.2011 Carrying	As at 31.03.2011 Fair value amount
Loans and receivables				
Cash and cash equivalents	24,362.84	24,362.84	18,158.71	18,158.71
Trade receivables	95,937.46	95,937.46	77,105.47	77,105.47
Other receivables	32,996.88	32,996.88	36,109.55	36,109.55
Other financial liabilities				
Loans and borrowings	163,872.05	164,379.56	131,926.65	131,926.65
Trade payables	89,700.92	89,700.92	76,842.04	76,842.04
Other payables	26,300.94	26,300.94	16,524.90	16,524.90

b) **Net gains or losses**

The following table shows the net gains or losses on financial instruments included in the statement of comprehensive income:

(Rs. in Lacs)

Particulars	2011-2012	2010-2011
Loans and receivables		
Write-back of trade receivables	96.29	15.71
Allowance for bad debts	(3,045.69)	-
Net (loss)/gain	**(2,949.40)**	**15.71**

c) **Total interest income and total interest expense**

Please refer to note 8 for total interest income and total interest expense for financial assets and financial liabilities.

Derivative Assets and Liabilities:

The Company has entered into forward contracts to offset foreign currency risks arising from the amounts denominated in currencies other than the Indian Rupee. The counter parties to such forward contracts are banks.

Notes to the Consolidated Financial Statements (Contd...)

Consequent to the announcement issued by the Institute of Chartered Accountants of India on Accounting of Derivatives, details of derivatives contracts outstanding as on 31st March, 2012 are as under:

Figures in *Italics* represent figures as at 31st March, 2011 **(Amount in Lacs)**

Currency	Exposure to Buy / Sell	No. of Contracts	2011-2012	
			Indian Currency	Foreign Currency
US Dollar / INR	Sell	24 *5*	13,882.33 *1,128.39*	289.30 *25.31*
Euro / USD	Sell	0 *7*	0 *7,765.27*	0 *122.50*
Euro / USD	Buy	1 *0*	178.82 *0.00*	2.50 *0.00*
US Dollar / INR	Buy	0 *7*	0.00 *2,230.00*	0.00 *50.00*
GBP / US Dollar	Sell	0 *1*	0.00 *179.18*	0.00 *2.50*
GBP / US Dollar	Buy	0 *0*	0 *0.00*	0 *0.00*
Derivative Structure US Dollar / INR	Sell	15 *2*	7,606.75 *17,167.15*	185.00 *385.00*

25 Related parties

Related party relationships

In accordance with IAS 24, persons or entities that control or are controlled by the Kiri Group shall be disclosed, unless they are included in consolidation as a consolidated entity. Control exists if a shareholder holds more than half of the voting rights in Kiri Industries Limited and has the possibility as a result of a provision in the Articles of Association or a contractual arrangement to control the financial and business policies of the Kiri Group.

The disclosure obligation under IAS 24 furthermore extends to transactions with persons who exercise a significant influence on the financial and business policies of the Kiri Group, including close family members or interposed entrepreneurs. A significant influence on the financial and business policies of the Kiri Group can hereby be based on a shareholding of 20% or more in a Parent Company, a seat on the management board of the Parent Company or another key position.

Related parties of the Kiri Group in accordance with IAS 24 primarily comprise:

Name of the Party	Relationship
Kiri International (Mauritius) Private Limited	Wholly Owned Subsidiary
SMS Chemicals Co. Limited	Wholly Owned Subsidiary
Kiri Peroxide Ltd.	Wholly Owned Subsidiary
Kiri Investment and Trading Singapore Private Limited	Step down subsidiary
Lonsen Kiri Chemical Ind. Ltd.	Joint Venture
Mr. Pravin A Kiri	Key Managerial Personnel
Mr. Manish P Kiri	Key Managerial Personnel
Mr. Shanker R. Patel	Key Managerial Personnel
Mrs. Aruna P Kiri	Relative of Key Managerial Personnel
Mrs. Anupama M Kiri	Relative of Key Managerial Personnel
Kiri Infrastructure Pvt. Ltd.	Associate Company
Unique Dyechem	Entity Controlled by Key Managerial Personnel

Notes to the Consolidated Financial Statements (Contd...)

All outstanding balances were priced on an arm's length basis, are unsecured and are repayable upon demand.

Figures in *Italics* represent figures as at 31.03.2011 **(Rs. in Lacs)**

Particulars	Subsidiaries & Step Down Subsidiaries	Joint Ventures	Associates Enterprise	Key Management Personnel & their Relatives	Entity Controlled by Key Management Personnel	Total
Purchase of Goods	-	26.69	-	-	-	26.69
	-	*200.97*	-	-	*660.26*	*861.23*
Sales of Goods / Services	1999.98	118.28	-	-	-	2118.26
	-	*138.93*	-	-	*337.09*	*476.02*
Job Work Income	-	-	-	-	-	-
	-	-	-	-	*395.76*	*395.76*
Job work Expense	-	-	-	-	-	-
	-	-	-	-	*279.88*	*279.88*
Remuneration	-	-	-	180.00	-	180.00
	-	-	-	*179.00*	-	*179.00*
Investment	349.53	-	-	-	-	349.53
	-	-	*1443.75*	-	-	*1443.75*
Advance Given	-	-	741.52	-	-	741.52
	-	-	*1345.46*	-	-	*1345.46*
Advance Repaid	-	-	1222.71	-	-	1222.71
	-	-	*506.50*	-	-	*506.50*
Interest Received	-	-	77.36	-	-	77.36
	-	-	*32.29*	-	-	*32.29*
Interest Paid	-	-	-	41.51	-	41.51
	-	-	*145.18*	*337.37*	-	*482.55*
Dividend	-	-	-	133.98	-	133.98
	-	-	-	*151.10*	-	*151.10*
Loan repaid	-	-	-	734.88	-	734.88
	-	-	*2335.10*	*4255.49*	-	*6590.59*
Loan Taken	-	-	-	285.42	-	285.42
	-	-	*392.00*	*2013.80*	-	*2405.80*
Share Application Money Given	-	-	-	-	-	-
	87.60	-	-	-	-	*87.60*
Rent Paid	-	-	-	-	36.00	36.00
	-	-	-	-	*6.00*	*6.00*
Outstanding Balance (Cr)	-	66.38	-	26.33	-	92.71
	-	*63.10*	-	*423.18*	-	*486.28*
Outstanding Balance (Dr)	1999.98	-	456.46	-	308.63	2756.07
	-	-	*339.47*	-	*868.03*	*1207.5*

Notes to the Consolidated Financial Statements (Contd...)

Disclosure in respect of material transactions with related parties

Nature of Transaction	Name of the Related Party	2011-2012	2010-2011
Purchase of Goods	Lonsen Kiri Chemical Industries Ltd	26.69	200.97
	Unique Dye Chem	-	660.26
Sales of Goods / Services	Lonsen Kiri Chemical Industries Ltd	118.25	138.93
	Unique Dye Chem	-	337.09
	SMS Chemicals Co. Ltd.	1,999.98	-
Job work Income	Unique Dye Chem	-	395.76
Job work Expense	Unique Dye Chem	-	279.88
Remuneration	Mr. Pravin A. Kiri	84.00	84.00
	Mr. Manish P. Kiri	84.00	84.00
	Mr. Shanker R.Patel	12.00	11.00
Investment	Kiri Infrastructure Pvt. Ltd.	-	1,443.75
	Kiri Investment and Trading Singapore Pvt. Ltd.	5.00	-
	SMS Chemicals Co. Ltd.	339.53	-
	Kiri Peroxide Ltd	5.00	-
Advance given	Kiri Infrastructure Pvt. Ltd.	741.52	1,345.46
Advance repaid	Kiri Infrastructure Pvt. Ltd.	1,222.71	506.50
Interest received	Kiri Infrastructure Pvt. Ltd.	77.36	32.29
Interest paid	Mr. Pravin A. Kiri	41.51	200.91
	Mr. Manish P. Kiri	-	136.46
	Kiri Infrastructure Pvt. Ltd.	-	145.18
Dividend	Mr. Manish P. Kiri	16.14	27.83
	Mr. Pravin A. Kiri	104.30	113.86
	Mrs. Aruna P. Kiri	13.54	9.41
Loan repaid	Mrs. Anupama M. Kiri	15.00	-
	Mrs. Aruna P. Kiri	88.50	-
	Mr. Pravin A. Kiri	159.94	3,037.55
	Mr. Manish P. Kiri	470.74	1,217.94
	Kiri Infrastructure Pvt. Ltd.	-	2,335.10
Loan taken	Mrs. Anupama M. Kiri	15.00	-
	Mrs. Aruna P. Kiri	82.78	
	Mr. Pravin A. Kiri	110.00	578.38
	Mr. Manish P. Kiri	77.64	1,435.42
	Kiri Infrastructure Pvt. Ltd.	-	392.00
Share Application Money Given	Kiri Investment And Trading Singapore Pvt. Ltd.	-	71.28
	Lonsen Kiri Chemical Industries Ltd	-	480.00
	Kiri International (Mauratius) Pvt. Ltd.	-	16.32
Rent Paid	Unique Dye Chem	36.00	6.00
Outstanding Balance (Cr)	Lonsen Kiri Chemical Industries Ltd	66.38	63.10
	Mrs. Aruna P. Kiri	8.81	-
	Mr. Manish P. Kiri	16.23	409.32
	Mr. Pravin A. Kiri	1.29	13.86
Outstanding Balance (Dr)	Kiri Investment And Trading Singapore Pvt. Ltd.	-	6.74
	SMS Chemicals Co. Ltd.	1999.98	-
	Unique Dye Chem	308.63	339.47
	Kiri Infrastructure Pvt. Ltd.	456.46	868.03

Notes to the Consolidated Financial Statements (Contd...)

26 Segment reporting **(Rs. in Lacs)**

Particulars	EMEA	America	Asia	Eliminations	Total consolidated
For the year 2012					
Segment reporting					
External revenues	112,628.69	95,918.11	202,336.71	-	410,883.51
Inter-segment revenue	60,408.39	2,414.32	54,238.53	(117,061.24)	-
Interest income	151.85	103.47	334.53	-	589.85
Interest expense	(1,484.52)	(204.07)	(13,471.68)	-	(15,160.27)
Depreciation and amortisation	(1,542.96)	(663.46)	(9,478.86)	-	(11,685.28)
Reportable segment profit (loss) before income tax	10,590.46	2,959.94	(21,180.10)	3,060.54	(4,569.16)
Reportable segment assets	64,661.30	39,730.70	312,912.86	-	417,304.86
Capital expenditure - property, plant and equipment	464.17	972.92	24,489.63	-	25,926.72
Capital expenditure - intangible assets	0.48	-	0.96	-	1.44
Reportable segment liabilities	(32,482.84)	(15,491.21)	(277,474.26)	-	(325,448.31)
For the year 2011					
External revenues	106,526.41	67,393.68	194,262.02	-	368,182.11
Inter-segment revenue	57,496.58	1,450.56	47,085.32	(106,032.46)	-
Interest income	26.94	145.46	189.22	-	361.62
Interest expense	(123.46)	(80.81)	(8,678.27)	-	(8,882.54)
Depreciation and amortization	(867.37)	(477.68)	(9,945.34)	-	(11,290.40)
Reportable segment profit (loss) before income tax	(2,738.60)	2,872.84	(9,264.01)	(3,471.28)	(12,601.05)
other material non- cash items:	-	-	-	-	-
Gain from bargain purchase	-	(3,874.44)	-	-	(3,874.44)
Reportable segment assets	84,029.96	40,602.03	253,420.88	-	378,052.87
Capital expenditure - property, plant and equipment	1,572.22	468.70	15,381.39	-	17,422.31
Capital expenditure - intangible assets	145.48	0.45	0.45	-	146.37
Reportable segment liabilities	(58,976.40)	(19,968.37)	(208,316.26)	-	(287,261.03)

27 Details of the Company's share in Joint Venture included in the Consolidated Financial Statements is as follows (Before inter-Company eliminations):

The Company has a 40% interest in the assets, liabilities, income and expenses of the Lonsen Kiri Chemical Industries Ltd., incorporated in India, which is engage in business of manufacturing various types of Synthetic Organic Dyes. The Company's share of the assets, liabilities, income and expenses of the joint venture is as follows:

Notes to the Consolidated Financial Statements (Contd...)

(Rs. in Lacs)

Balance Sheet	As at 31.03.2012	As at 31.03.2011	Statement of Profit & Loss	2011-2012	2010-2011
Share Capital	5,220.00	3,320.00	Net Revenue from Operations	2,183.86	4,012.18
Share Application Money	478.41	485.11	Other Income	33.29	126.81
Reserves and Surplus	(816.59)	(70.43)	**Total Income**	**2,217.15**	**4,138.99**
Non - Current Liabilities					
Long-term borrowings	141.25	3.37	Cost of Materials Consumed	1,895.42	3,101.10
Deferred tax liabilities (Net)	436.21	266.60	Purchase of Stock-in-Trade	30.21	4.45
Current Liabilities			Changes in Inventories of Finished goods, Work-in-Progress & Stock-in-Trade	(132.58)	179.14
Short-term borrowings	1,174.12	1,002.79			
Trade payables	1,678.45	592.53			
Other current liabilities	518.74	396.31	Employee Benefits Expense	209.54	128.51
Short-term provisions	15.11	13.04	Finance Costs	168.01	191.40
Total Sources of Funds	**8,845.70**	**6,009.32**			
Non - Current Assets			Depreciation	179.45	130.05
Fixed assets			**Other Expenses**		
Tangible assets	5,584.69	3,545.42	Administrative Expenses	169.62	51.27
Long-term loans and advances	315.84	55.41	Manufacturing Expenses	221.41	260.52
Other non-current assets	16.64	16.82	Selling & Distribution Expenses	52.49	108.58
Current Assets					
Inventories	1,943.95	1,263.85	Prior Period Adjustments	-	3.26
Trade receivables	478.20	484.43	**Total Expenditure**	**2,793.57**	**4,158.28**
Cash and cash equivalents	172.68	296.87	Proft before tax	(576.41)	(19.29)
Short-term loans and advances	311.01	336.25	Provision for tax	169.76	56.43
Other current assets	22.69	10.27			
Total Application of Funds	**8,845.70**	**6,009.32**	**Profit / (Loss) After Tax**	**(746.17)**	**(75.72)**

28 Earning per Equity Share

A reconciliation of profit for the year and Equity Share used in computation of basic and diluted earnings per equity share a set out below.

Earning Per Share		2011-2012	2010-2011
Basic			
Loss attributable to Equity Shareholders	Rs. in Lacs	(7,257.33)	(8,815.68)
Nominal Value of Equity Share	Rs.	10.00	10.00
Weighted average number of ordinary Equity Shares - for Basic EPS	Nos.	1,90,00,053	1,66,43,889
Basic EPS	Rs.	(38.20)	(52.97)
Diluted EPS	Rs.	(38.20)	(52.97)

29 Events after the reporting date

a) In order to reduce the impact of existing debt and to ensure smoother Cash Flow of a Parent Company, the Company has requested its consortium bankers to provide relaxation to its debts to which the consortium bankers have agreed in principle. The final approval from some banks has been received whereas that from the remaining banks is awaited. Further, due to heavy recession and sluggish market, the Company has decided to shelve some of the projects under construction. The losses which are likely to occur on sale or disposal are unascertainable at this stage and therefore no provision has been made in accounts for the same. The Company is under negotiation with banks for funding of these losses.

Notes to the Consolidated Financial Statements (Contd...)

b) In respect of the outstanding derivatives and forward contracts, the Company has booked losses of Rs. 6135.27 lacs after 31st March, 2012 following the termination for unexpired leg of contracts. The Company has requested the relevant bankers for funding of this loss which is under consideration by the bank. Upon such termination, the hedge of export receivable now stands cancelled implying the exchange rate risk on the export is now open to market fluctuation. The contracts with other banks are under negotiation for funding.

c) In April 2012, the Group communicated its intention to close one of its subsidiaries, Dystar Hispania S.L. The Group estimates the restructuring cost associated with the closure to be approximately Rs. 972.04 Lacs in 2012.

d) Out of the total loans availed of € 65 million for Dystar Acquisition, the Group has fully prepaid the loans to the State Bank of India and EXIM Bank.

30 The accounts of the subsidiaries which are neither audited by us nor by any other auditors have been complied, consolidated and certified by the management of respective subsidiaries and in respect thereof the review report issued by other auditors has been obtained by the management on which reliance is placed.

31 Financial risk management

a. Internal risk management

The Group employs an integrated system for the early identification and monitoring of risks specific to the Group, in order to identify changes in the business environment and deviations from targets at an early stage and to initiate commensurate necessary countermeasures in good time. This includes permanent short and medium-term analysis of the order intake and the sales invoicing behaviour. Control impulses for the individual companies are derived from this and implemented by group controlling in conjunction with an integrated forecast process.

The Group prepares a forecast several times a year, based on the seasonal annual budget. In a comprehensive bottom-up planning process, opportunities and risks are subjected at Company level to a quarterly rolling evaluation with regard to the budget targets. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management is responsible for developing and monitoring the Company's risk management policies. Management reports regularly to the Board of Directors on its activities.

b. Financial risks

The Group is exposed in the course of its business activities to certain financial risks, such as fluctuations in exchange rates and interest rate risks. In addition, the Group is exposed to credit risks, which mainly result from trade receivables. The Group's paramount risk management system takes account of the unpredictability of the financial markets and is aimed at minimising negative effects on the Group's profitability.

The Group has established internal guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to operative financial activities, their settlement and accounting for and controlling financial instruments.

The guidelines, on which the Group's risk management processes are based, are designed to identify and analyse risks throughout the Group, to set appropriate risk limits and controls and to monitor the risks by means of reliable and modern administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to current changes in markets conditions.

The Group manages and monitors these risks primarily through its operative business and financing. Currently, no derivatives are being used.

c. Credit risks

Credit risk is the risk of economic loss arising from the failure of the counterparty to comply with its contractual payment obligations. Credit risk encompasses not only the direct risk of default but also the risk of the deterioration in credit standing.

The Group's credit risk is mainly influenced by the individual characteristics of the customers, the demographic composition of the customer list and the specific default risk of individual sectors or countries in which the customers are active. Default risks are minimised by consequential receivables management and permanent analysis of the payment behaviour of our customers. The Group furthermore has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established and reviewed. Customers who fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group otherwise does not require collateral in respect of trade and other receivables.

Notes to the Consolidated Financial Statements (Contd...)

Allowances are set up in accordance with the assessment of the Group with regard to bad debts. The main portion of these allowances relates to significant specific risks.

The carrying amount of the financial assets reported in the statement of financial position, disregarding the existing collateral, represents the maximum default risk in the event that counterparties are unable to comply with their contractual payment obligations.

Credit risks associated to trade and other receivables had been outlined in note 16.

The Group held cash and cash equivalents which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with reputable banks and financial institutions.

d. Liquidity risks

Liquidity risk is the risk that an entity will be unable to fulfil its financial obligations to a sufficient degree.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group generates liquid funds mainly through the operative business and external financing. The funds are mainly used to fund the working capital.

The Group counters the liquidity risk with a liquidity forecast for the entire Group based on a fixed planning horizon.

The Group manages its liquidity, in that the Group, in addition to the Cash Flows from operating activities, holds liquid funds available to an adequate degree and maintains credit lines at banks. The liquid funds comprise cash and cash equivalents.

e. Finance market risks

The global nature of its businesses exposes the Group to market price risks resulting from changes in exchange rates and interest rates. These market price risks can have a negative influence on the net assets, financial position and results of the Group. The Group seeks to manage and control these market price risks through its regular operating and financing. The Group evaluates these risks by monitoring changes in key economic indicators and market information on an ongoing basis. In addition, The Group is also exposed to commodity price risks associated with its business operations.

Exchange rate risk

As a consequence of the global nature of the Group, the operative business and the reported financial results and Cash Flows risks are exposed to fluctuations in exchange rates.

The Group is exposed to currency risk on financial assets and liabilities that are denominated in a currency other than the functional currency.

Interest rate risk

The Group holds certain interest rate sensitive assets and liabilities to manage the liquidity needs of its day-to-day business.

The Company's exposure to changes in interest rates relates primarily to its interest-bearing liabilities. Interest rate risk is managed by the Company on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movement in interest rates. The Company does not hedge its interest rate risk.

Capital management

The board defines capital as share capital, capital reserve, translation reserve and retained earnings. The Company's objective in managing capital is to maintain a capital structure that optimises returns to shareholders having regard to the liquidity requirements and the relative costs of debt and equity.

32 Figures pertaining to subsidiary companies have been reclassified where necessary to bring them in line with the Company's financial statements.

33 Previous year figures have been regrouped or rearranged wherever found necessary.

As per our separate report of even date attached herewith.
For V. D. Shukla & Co.,
Chartered Accountants
Firm Registration No. 110240W

Vimal D. Shukla
Proprietor
Membership No. 036416

Place : Ahmedabad
Date : 3rd September, 2012

For and on behalf of the Board of Directors of
Kiri Industries Limited

Pravin A. Kiri
Chairman

Manish P. Kiri
Managing Director

Suresh S. Gondalia
Company Secretary

Place : Ahmedabad
Date : 3rd September, 2012

Details of Subsidiary Companies pursuant under Section 212(8) of the Companies Act, 1956 in terms of General Circular No. 2/2011, dated 8th February, 2011 issued by Ministry of Corporate Affairs.

(Rs. in Lacs)

Name of Subsidiaries	Reporting Currency	Exchange Rate	Capital	Reserves	Total assets	Total Liabilities	Invest-ment	Turnover	Profit/ (Loss) Before Tax	Provision for Taxation	Profit/ (Loss) After Tax	Proposed Dividend	Country
Kiri International (Mauritius) Private Limited	USD	51.16	-	-	-	-	-	-	-	-	-	-	Mauritius
Synthesis International Limited	HKD	6.55	65.50	(29.11)	835.52	799.13	-	785.55	(31.35)	-	(31.35)	-	Hong Kong
Dystar Global Holdings (Singpaore) Pte Ltd (formerly known as Kiri Holding Singapore Private Limited)	EUR	68.34	9,047.23	2,703.68	65,700.65	70,318.58	-	-	6,302.58	(657.20)	5,645.39	-	Singapore
Kiri Investment and Trading Singapore Private Limited	SGD	40.45	0.00	(11.79)	1.23	7.59	-	-	(4.07)	-	(4.07)	-	Singapore
DyStar Colours Distribution GmbH	EUR	68.34	17.09	22,910.99	80,165.16	59,738.53	-	124,908.55	(7,741.04)	861.22	(6,879.82)	-	Germany
DyStar Colours Deutschland GmbH	EUR	68.34	-	-	-	-	-	-	-	-	-	-	Germany
DyStar Nanjing Colours Co., Ltd.	CNY	8.08	33,266.81	-	38,032.29	30,283.26	-	23,011.64	2,060.27	-	2,060.27	-	China
DyStar Pakistan (Pvt.) Ltd.	PKR	0.56	168.30	-	1,317.09	464.27	-	1,825.03	(207.37)	38.37	(169.00)	-	Pakistan
DyStar Singapore Pte. Ltd.	USD	51.16	4,071.68	-	65,975.98	71,587.82	-	109,784.48	7,391.07	(76.42)	7,314.64	-	Singapore
DyStar South Africa (PTY) Ltd.	ZAR	6.63	-	-	-	-	-	-	-	-	-	-	South Africa
DyStar Taiwan Ltd.	TWD	1.72	561.70	-	4,061.55	454.05	-	8,908.12	(51.31)	55.37	4.06	-	Taiwan
Color Solutions International (Shanghai) Co. Ltd (formerly known as DyStar Textile Services (Shanghai) Co Ltd.)	CNY	8.08	1,950.47	-	1,602.54	51.34	-	1,123.05	(23.90)	-	(23.90)	-	China
DyStar Thai Ltd.	THB	1.65	1,713.74	36.00	3,228.83	1,148.08	-	5,355.26	38.78	2.54	41.32	-	Thailand

(Rs. in Lacs)

Name of Subsidiaries	Reporting Currency	Exchange Rate	Capital	Reserves	Total assets	Total Liabilities	Invest- ment	Turnover	Profit/ (Loss) Before Tax	Provision for Taxation	Profit/ (Loss) After Tax	Proposed Dividend	Country
DyStar UK Ltd.	GBP	81.99	409.96	-	517.73	623.85	-	534.59	(488.70)	-	(488.70)	-	Great Britain
DyStar Wuxi Colours Co., Ltd.	CNY	8.08	7,881.03	59.20	19,669.68	12,126.62	-	24,630.40	(394.36)	(45.67)	(440.03)	-	China
P.T. DyStar Colours Indonesia	USD	51.16	22,766.20	-	57,216.52	44,149.85	-	43,459.32	2,291.56	(445.76)	1,845.80	-	Indonesia
Boehme Asia Limited	HKD	6.55	32.75	-	765.54	665.02	-	-	(41.60)	-	(41.60)	-	Hong Kong
Dr.TH. Boehme Chem. Fabrik Gesellschaft m.b.H	EUR	68.34	-	-	-	-	-	-	13.70	0.60	14.30	-	Austria
DyStar - Anilinas Têxteis Lda.	EUR	68.34	1,366.80	-	6,696.77	5,157.40	-	13,155.92	460.72	(401.52)	59.20	-	Portugal
DyStar (Shanghai) Trading Co., Ltd.	CNY	8.08	-	2,607.54	20,326.55	16,887.43	-	42,068.11	2,300.42	8.08	2,308.50	-	China
DyStar Benelux S.P.R.L	EUR	68.34	42.37	-	13.43	55.65	-	281.65	(8.00)	34.66	26.66	-	Belgium
DyStar China Ltd.	HKD	6.55	4,650.86	-	4,306.67	2,464.13	-	7,153.95	173.06	-	173.06	-	Hong Kong
DyStar de México, S.de R. L. de C.V.	MXN	3.97	2,556.23	-	8,573.43	8,567.32	-	15,868.29	28.41	(7.66)	20.75	-	Mexico
DyStar France S.A.R.L	EUR	68.34	170.85	-	191.86	827.32	-	699.55	83.03	31.76	114.79	-	France
DyStar Hispania S.L.	EUR	68.34	791.74	1,006.89	3,215.30	2,247.03	-	7,316.66	751.22	136.40	887.62	-	Spain
DyStar India Private Limited	INR	1.00	3,420.90	39.25	10,522.49	5,525.92	-	10,912.35	(1,150.85)	430.11	(720.74)	-	India
DyStar Industria e Commercio de Produtos Quimicos Ltda.	BRL	27.84	18,866.31	22.27	17,713.74	5,259.25	-	31,916.59	560.13	(10.24)	549.90	-	Brazil

(Rs. in Lacs)

Name of Subsidiaries	Reporting Currency	Exchange Rate	Capital	Reserves	Total assets	Total Liabilities	Invest-ment	Turnover	Profit/ (Loss) Before Tax	Provision for Taxation	Profit/ (Loss) After Tax	Proposed Dividend	Country
DyStar Italia S.r.l.	EUR	68.34	1,366.80	302.05	5,105.34	4,501.62	-	9,032.98	212.49	(12.98)	199.50	-	Italy
DyStar Japan Ltd.	JPY	0.61	28,994.90	-	26,302.96	13,639.04	-	27,569.15	913.31	(317.12)	596.19	-	Japan
DyStar Kimya Sanayi ve Ticaret Ltd.	TRY	28.56	652.37	-	25,418.84	8,222.73	-	45,989.51	(4,351.57)	326.24	(4,025.32)	-	Turkey
DyStar Korea Ltd.	KRW	0.04	334.40	-	755.63	68.07	-	706.20	(117.02)	30.18	(86.83)	-	Korea
DyStar Boehme Africa (Pty) Ltd.	ZAR	6.63	11.33	99.28	6,510.35	5,928.19	-	8,483.42	(195.25)	(235.86)	(431.11)	-	South Africa
Boehme South America Industrial Ltda.	ZAR	6.63	-	-	-	-	-	-	-	-	-	-	Brazil
Texanlab Laboratories Private Limited	INR	1.00	4.01	497.98	1,162.92	1,325.41	-	831.53	104.22	(65.30)	38.93	-	India
Boehme (Hangzhou) Chemical Auxiliary Co. Ltd.	CNY	8.08	1,002.93	0.05	2,645.67	320.04	-	3,050.69	(192.02)	38.50	(153.52)	-	China
DyStar Denim GmbH	EUR	68.34	17.09	-	16.75	0.35	-	-	(0.73)	-	(0.73)	-	Germany
DyStar Auxiliaries GmbH	EUR	68.34	-	-	-	-	-	-	-	-	-	-	Germany
DyStar Acquisition Corporation	USD	51.16	-	5,310.54	5,175.32	1,430.44	-	-	57.43	1,395.19	1,452.62	-	USA
DyStar LP USA	USD	51.16	-	5,116.00	25,264.43	10,045.26	-	56,151.68	(4,070.57)	-	(4,070.57)	-	USA
DyStar Americas Holding Corp	USD	51.16	-	5,064.84	5,064.84	-	-	-	-	-	-	-	USA
Boehme Filatex Canada	CAD	50.93	307.38	(271.30)	93.57	3.08	-	-	(59.10)	-	(59.10)	-	USA
Dystar Chemical Isreal Ltd	ILS	13.71	6.86	-	415.65	481.42	-	589.39	(3.55)	-	(3.55)	-	USA

Notes: The Indian rupee equivalents of the figures given in the foreign currencies in the accounts of the subsidiary companies have been given based on the exchange rates as on 31st March, 2012.

For and on behalf of the Board of Directors of Kiri Industries Limited

Place : Ahmedabad
Date : 3rd September, 2012

Pravin A. Kiri
Chairman

Manish P. Kiri
Managing Director

Suresh S. Gondalia
Company Secretary

Attendance Slip / Proxy Form

Kiri Industries Limited

7th Floor, Hasubhai Chambers, Opp. Town Hall, Ellisbridge, Ahmedabad-380006.

ATTENDANCE SLIP

14TH ANNUAL GENERAL MEETING - Saturday, 29th September, 2012 at 11.30 A.M.

Folio No./DP ID : ____________________ Client ID : ____________________

No. of Shares held : ____________________

I certify that I am a registered Equity Shareholder/Proxy of the Company. I hereby record my presence at the 14th Annual General Meeting of the Company, held at Hall No. S-3, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad- 380 015 on Saturday, 29th September, 2012 at 11.30 A.M.

____________________ ____________________

Member's/Proxy's name in BLOCK letters Member's/Proxy's Signature

Note : (Please fill in this Attendance slip and hand it over at the entrance of the meeting hall.)

Kiri Industries Limited

7th Floor, Hasubhai Chambers, Opp. Town Hall, Ellisbridge, Ahmedabad-380006.

PROXY FORM

14TH ANNUAL GENERAL MEETING - Saturday, 29th September, 2012 at 11.30 A.M.

I/ We ____________________ of ____________________ of being

a member/members of the above named Company hereby appoint ____________________

of ____________________ or failing him/her ____________________

of ____________________ in my/ our absence to attend and vote for me/us and on my/ our behalf at the 14th Annual General Meeting of the Company to be held on Saturday, the 29th September, 2012 at 11.30 A.M. and any adjournment thereof.

Signature (s) __________ Affix 1 Rupee Revenue Stamp __________

Date : ____________________

LF No. / DP ID : ____________________ Client ID : ____________________

No of Shares held ____________________

Note: The proxy must be deposited at the Registered Office of the Company 48 hours before the meeting.

If undelivered, please return to:

Kiri Industries Limited

Registered Office
7th Floor, Hasubhai Chambers, Opp. Town Hall,
Ellisbridge, Ahmedabad – 380 006

GANAPATI, A'bad (079)26568111