



THE YASH BIRLA GROUP

ZENITH BIRLA (INDIA) LIMITED



Annual Report 2009 - 2010



Chairman's Note

Year 2010 marks the Golden Jubilee year of the Company.

As we celebrate the 50th year of existence of the Company in 2010, it is a matter of great pride to reflect on and recognize the enormous progress made by Zenith over the years. There have been good times and difficult times over its history. However, Zenith has many achievements to its credit which are significant milestones.

All this would not have been possible without the unflinching support of our shareholders, customers, banks and financial institutions, suppliers, vendors and business partners, employees, government and all those associated with the Company, directly or indirectly. I would like to convey my appreciation and gratitude to all.

The Board of Directors has recommended a final dividend of Rs. 2/- per share on the expanded Share Capital of the Company, as on date. This includes Rs. 1.40 per share, as a special dividend, for commemorating the Company's Golden Jubilee year. The Board has also decided to further reward the shareholders by way of 1 Bonus Share for every 5 Equity Shares held in the Company as on the Record Date to be fixed in this behalf.

We desire to excel our past performance and expand our horizons. Looking ahead, I believe the best is yet to come.

Yash Birla
Chairman

CONTENTS

Corporate Information	2
Notice.....	3-9
Directors' Report	10-14
Management's Discussion & Analysis Report	15-16
Report on Corporate Governance	17-24
Auditor's Report.....	25-27
Financial Reports of the Company	28-51
Financial Reports of Subsidiaries.....	52-74
Consolidated Financial Statements.....	75-94



CORPORATE INFORMATION

Company Identification Number: L29220MH1960PLC011773

Type of business: Manufacturing of Steel Pipes

Authorised Capital: Rs. 155.50 crores

Paid-up Capital: Rs. 53.74 crores (as on 31.03.2010)

Par Value/ Share: Rs. 10/- each

• **Registrar & Share Transfer Agent**

Bigshare Services Pvt. Ltd

E/2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka,
Andheri (E), Mumbai 400 072

Tel: 022-28470652/ 40430200, Fax: 022-28475207

Email: info@bigshareonline.com

• **Board of Directors**

Shri Yash Birla	(Chairman)
Shri M.S. Arora	(Managing Director)
Dr. D.V. Kapur	(Director)
Shri Augustine P. Kurias	(Director)
Shri Aniruddha Barwe	(Director)
Shri P.V.R. Murthy	(Director)

• **Auditors**

M/s. Dalal & Shah, Chartered Accountants

• **Registered Office**

Dalamal House,
1st Floor, 206, J.B. Marg,
Nariman Point, Mumbai 400 021
Tel: 022-66168400
Fax: 022-22047835

• **Corporate Office**

Vedant Commercial Complex,
Building No. S-2, 2nd Floor, Vartak Nagar,
Pokhran Road No. 1,
Thane (W)-400 606
Tel: 022-67933000
Fax: 022-67933111

• **Bankers**

State Bank of India
Punjab National Bank
Bank of Baroda
Oriental Bank of Commerce
Bank of India

• **Subsidiaries**

Zenith (USA) Inc.
Zenith Middle East FZE

• **Stock Exchanges where the Company's securities are listed**

Bombay Stock Exchange Limited
National Stock Exchange of India Limited

• **Works**

Khopoli unit:

Tal. Khopoli
Dist Raigad,
Maharashtra 410203

Murbad Unit:

Survey (Gut) No. 440/441,
Village Nhave, Taluka Murbad,
Dist. Thane,
Maharashtra

Tarapur Unit:

G-38/39, Tarapur Industrial Area,
Village Saravali, Taluka Palgar,
Dist. Thane,
Maharashtra

Members are requested to note that only tea/coffee will be served during the 48th Annual General Meeting to be held on Monday, 2nd August 2010 at 3.30 p.m. at Hall of Culture, Discovery of India Building, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai- 400 018.



NOTICE

Notice is hereby given that the Forty Eighth Annual General Meeting of the members of **ZENITH BIRLA (INDIA) LIMITED** will be held on Monday, the 2nd day of August, 2010 at 3.30 p.m. at Hall of Culture, Discovery of India Building, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai- 400 018, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010, Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a director in place of Shri Augustine P. Kurias, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, (Registration no. 000038N) be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company in place of M/s. Dalal & Shah, Chartered Accountants, the retiring Auditors of the Company, who have expressed their unwillingness to be re-appointed as Statutory Auditors of the Company on their retirement at this Annual General Meeting.

RESOLVED FURTHER THAT the Statutory Auditors be paid such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Statutory Auditors, plus reimbursement of out of pocket expenses.”

SPECIAL BUSINESS:

5. **Increase in Authorised Share Capital and Amendment of Memorandum of Association of the Company:**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof for the time being in force), the Authorized Capital of the Company be and is hereby increased from Rs. 155,50,00,000/- (Rupees One Hundred Fifty Five Crores Fifty Lacs only) divided into 15,55,00,000 (Fifteen Crores Fifty Five Lacs) Equity Shares of Rs. 10/- each (Rupees Ten Only) to Rs. 355,50,00,000/- (Rupees Three Hundred Fifty Five Crores Fifty Lacs only) divided into 35,55,00,000 (Thirty Five Crores Fifty Five Lacs) Equity Shares of Rs. 10/- (Rupees Ten Only) each.

RESOLVED FURTHER THAT the Memorandum of Association of the Company be and is hereby altered by substituting the existing Clause V thereof by the following Clause V:

- V. The Share Capital of the Company is Rs. 355,50,00,000/- (Rupees Three Hundred Fifty Five Crores Fifty Lacs only) divided into 35,55,00,000 (Thirty Five Crores Fifty Five Lacs) Equity Shares of Rs. 10/- (Rupees Ten Only) each with power to increase and reduce the Capital, to divide the shares in the Capital for the time being into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges and conditions as may be determined by or in accordance with the Companies Act, 1956, for the time being in force and the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may, for the time being, be provided by the regulations of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to take all such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard.”



6. Amendment of Articles of Association of the Company:

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof for the time being in force), the existing Articles of Association of the Company be and is hereby altered by substituting the existing Article 4 with the following Article:

4. The Authorized Share Capital of the Company is Rs. 355,50,00,000/- (Rupees Three Hundred Fifty Five Crores Fifty Lacs only) divided into 35,55,00,000 (Thirty Five Crores Fifty Five Lacs) Equity Shares of Rs. 10/- (Rupees Ten Only) each capable of being increased or reduced in accordance with the Company's regulations and the legislative provisions for the time being in force in this behalf and power to divide the shares in the Capital for the time being into Equity Share Capital and Preference Share Capital and to attach thereto respectively any preferential, qualified or special rights, privilege and/or conditions.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to take all such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard.”

7. Issue and allotment of Bonus Shares:

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956, Article 191 of the Articles of Association of the Company and in accordance with the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (“the Regulations”) and subject to such other necessary approvals, permissions and sanctions, as may be required and subject to such terms, conditions or modifications as may be specified while according such approvals, which terms, conditions or modifications may at the discretion of the Board be agreed to, the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee which the Board may constitute to exercise its powers, including powers conferred by this resolution), be and is hereby authorized to capitalize a sum not exceeding Rs. 21,62,99,840/- out of the Company's Share Premium Account or General Reserve Account or such other accounts as are permissible to be utilized for the purpose, as per the audited accounts of the Company for the financial year ended 31st March, 2010 and that the said amount be transferred to the Share Capital Account and be applied for the issue and allotment of equity shares not exceeding 2,16,29,984 equity shares of Rs. 10/- each as Bonus Shares credited as fully paid up, to the eligible members of the Company holding equity shares of Rs. 10/- each whose names appear in the Company's Register of Members on such date (“Record Date”) as the Board may determine, in the proportion of ONE new fully paid equity share of Rs. 10/- each for every FIVE equity shares of Rs. 10/- each held in the Company as on the Record Date and that the new Bonus Shares so issued and allotted shall be treated for all purposes as an increase of the nominal amount of the equity capital of the Company held by each such member and not as income.

RESOLVED FURTHER THAT:

- (a) the new equity shares of Rs. 10/- each to be issued and allotted as Bonus Shares shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Company and shall rank pari passu in all respects with and carry the same rights as the existing fully paid up equity shares of the Company.
- (b) the share certificates for Bonus Shares be delivered to the shareholders who hold the existing equity shares in physical form and the respective beneficiary accounts be credited with the Bonus Shares, for such shareholders who hold the existing equity shares in dematerialized form, within the prescribed period.
- (c) In case any member's holding in the Company is such that the member becomes entitled to a fraction of an equity share of the Company, the Company shall round off the said entitlement to the nearest integer.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the Bonus Shares so allotted on the Stock Exchanges where the securities of the Company are listed as per the provisions of the Listing Agreements with the Stock Exchanges concerned, the Regulations and other applicable laws.



RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as may, in its absolute discretion, deem necessary, expedient, usual or proper and to settle all questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of the Bonus Shares without requiring the Board to secure any further consent or approval of the Members of the Company to the end and intent that they shall be deemed to have given their approval thereto and for matters connected herewith or incidental hereto expressly by the authority of this resolution”.

8. Waiver of recovery of excess remuneration:

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution:** “**RESOLVED THAT** subject to the approval of the Central Government, approval be and is hereby accorded for waiver of recovery of excess remuneration of an amount Rs. 27.18 lacs paid to Shri M.S. Arora, Managing Director of the Company during the financial year 2009-10.”

9. Increase in Remuneration of Managing Director:

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution:** **RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Central Government and such alterations and modifications, if any, that may be effected by the Central Government in granting such approvals, consent of the Company be and is hereby accorded to the payment of enhanced remuneration including salary, allowances, perquisites and benefits to Shri M.S. Arora, Managing Director as per the terms and conditions as set out hereunder, with effect from 1st April, 2010 till the expiry of his present term i.e. 9th July, 2012, notwithstanding that such remuneration is in excess of the limits specified in Part II of Schedule XIII of the Companies Act, 1956:

I. Salary/ Perquisites/Benefits/Allowance

1. Shri M. S. Arora shall be entitled to a salary, perquisites, allowances & benefits not exceeding Rs. 1.10 crores per annum.
2. Perquisites, benefits and allowance includes House Rent Allowance, Furnishing Allowance, House Maintenance, gas, electricity, water, Medical Re-imburement, Leave Travel Concession for self & family, Car Maintenance and Drivers allowance, etc. and any other perquisites, benefits & allowances as per the policy / rules of the Company that may be in force. Allowances and perquisites shall be valued as per the Income Tax Rules, wherever applicable and in the absence of any such Rules, the perquisites shall be evaluated at actual costs to the Company.
3. Shri M.S. Arora shall also be entitled to Company’s contribution to Provident Fund, Superannuation Fund, Pension Fund, Gratuity, Encashment of Leave at the end of his tenure as Managing Director, as per the policies/ rules of the Company and the same shall not be included for the purposes of computation of perquisites.

II COMMISSION

Shri M.S. Arora shall be entitled to commission at the rate not exceeding 5% (five percent) of the Net Profit of the Company calculated under Sections 349 and 350 of the Companies Act. 1956.

RESOLVED FURTHER THAT the remuneration as mentioned above be paid to Shri M.S. Arora as minimum remuneration.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter and / or vary the terms and conditions of the said appointment and/or agreement in such manner as may be agreed to between the Board of Directors and Shri M.S. Arora from time to time, as deemed expedient or necessary and the terms of agreement shall be suitably modified to give effect to such alteration and/or variation.

By Order of the Board
For **Zenith Birla (India) Limited**

Mumbai
Date: 24th June, 2010

M.S. Arora
Managing Director



Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 9th July, 2010 to 12th July, 2010 (both days inclusive) for determining the names of members eligible for dividend on Equity Shares, if declared at the meeting.
3. The dividend on equity shares, if declared at the meeting, will be paid within 30 days from the date of the Annual General Meeting to those members whose names appear in the Company's Register of Members on 8th July, 2010; in respect of the shares held in dematerialized form, the dividend will be paid to the members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owners as on that date.
4. Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrars and Transfer Agents, M/s. Bigshare Services Pvt. Ltd. for consolidation into single folio.
5. Members are requested to promptly notify any change in their addresses and/or the Bank Mandate details to the Company's Registrars and Share Transfer Agents for shares held in physical form and to their respective Depository Participants for shares held in electronic form.
6. Members, who wish to avail ECS Facility for the payment of dividend, may send their duly completed form to the Company's Registrar & Share Transfer Agent for the shares held in physical form and to their respective Depository Participant for the shares held in dematerialized form.

EXPLANATORY STATEMENT, AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956.

Item No. 4 - Appointment of Statutory Auditors:

M/s. Dalal & Shah, Chartered Accountants, Mumbai, the present auditors who retire at this Annual General Meeting have informed the Company that they do not wish to seek re-appointment as Statutory Auditors of the Company at the forthcoming Annual General Meeting.

Based on the recommendation of the Audit Committee, the Board of Directors proposes the appointment of M/s. Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, as the Statutory Auditors of the Company in place of M/s. Dalal & Shah, Chartered Accountants, the retiring Auditors of the Company, from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

M/s. Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, have expressed their willingness to act as Statutory Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Companies Act, 1956.

The member's approval is being sought for the appointment of M/s. Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, as the Statutory Auditors of the Company and to authorize the Board of Directors to determine the remuneration payable to the Statutory Auditors.

None of the Directors are concerned or interested in the said resolution.

The Board recommends the resolution as mentioned in Item no.4 of the notice.

Item No. 5 and 6- Increase in Authorized Share Capital and alteration of Memorandum and Articles of Association of the Company:

The Company proposes to augment its requirement of funds for meeting further capital expenditure and working capital by way of further issue of shares. It is therefore deemed appropriate to increase the Authorized Share Capital of the Company from Rs. 155.50 crores to Rs. 355.50 crores and consequently to alter the Memorandum and Articles of Association of the Company as set out at item no. 5 & 6 of the accompanying notice.



In accordance with the provisions of the Companies Act, 1956, the Company is seeking the approval of the shareholders for increase in the authorized share capital and for alteration in Capital Clause V of Memorandum of Association and Article 4 of the Articles of Association.

None of the Directors are concerned or interested in the said resolution.

The Board recommends the resolutions as mentioned in Item no.5 & 6 of the notice.

Item No. 7 - Issue and allotment of Bonus Shares:

The Board of Directors at its meeting held on 24th June, 2010 has decided to reward the shareholders, in the Golden Jubilee year of the Company, by way of bonus issue. The Board has, subject to the approval of the members of the Company, approved the issue of bonus shares in the ratio of 1:5, i.e. ONE new fully paid up equity share of Rs. 10/- each for every FIVE fully paid up equity shares of Rs. 10/- each held in the Company, to the eligible members of the Company as on the Record Date to be fixed by the Board for this purpose.

The Bonus Shares shall be issued pursuant to the applicable provisions of the Companies Act, 1956, Article 191 of the Articles of Association of the Company, the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and subject to such other approvals, if any required, after capitalizing the required sum from the Company's Share Premium Account/General Reserve Account/or such other accounts as are permissible to be utilized for the purpose.

The Bonus Shares so allotted shall rank pari passu in all respect and shall carry the same rights as the existing fully paid up equity shares of the Company.

In case any member's holding in the Company is such that the member becomes entitled to a fraction of an equity share of the Company, the Company shall round off the said entitlement to the nearest integer.

The Directors of the Company may be deemed to be concerned or interested in the issue of the Bonus Shares to the extent of their respective shareholding in the Company.

The Board recommends the resolution as mentioned in Item no.7 of the notice.

Item No. 8 - Waiver of recovery of excess remuneration:

During the financial year 2009-10, Shri M.S. Arora, Managing Director, was entitled to salary & perquisites not exceeding Rs. 58.62 lacs as per the shareholders resolution. However, the actual amount of salary & perquisites paid/provided to Shri M.S. Arora during the financial year 2009-10 was Rs. 85.80 lacs. As a result, excess remuneration paid/provided to Shri M.S. Arora during the financial year 2009-10 amounts to Rs. 27.18 lacs, and hence requires approval of the shareholders for waiver of recovery of excess remuneration paid. As the total remuneration paid to Shri M.S. Arora during the financial year 2009-10 has exceeded the limits as specified in Part II of Schedule XIII of the Companies Act, 1956, the waiver of recovery of excess remuneration paid is also subject to the approval of Central Government.

None of the Directors except Shri M.S. Arora, are concerned or interested in the said resolution.

The Board recommends the resolution as mentioned in Item no.8 of the notice.

Item No. 9 - Increase in Remuneration of Managing Director:

Shri M. S. Arora was appointed as an Executive Director of the Company w.e.f. 10th July, 2007 and subsequently he was appointed as Managing Director of the Company w.e.f. 27th July, 2009.

The Remuneration Committee and the Board of Directors of the Company in their meeting held on 24th June, 2010 have recommended increase in remuneration of Shri M. S. Arora w.e.f. 1st April, 2010, subject to the approval of the shareholders of the Company and the Central Government / other statutory authorities.

Shri M. S. Arora, aged 48 years is a qualified BE (Mechanical) from REC, Bhopal. He has more than two decades of experience in the field of Operations, Marketing, Export and General Management. Prior to joining the Company, he was the Chief Operating Officer of Man Industries Ltd. He has also held various senior level positions in Welspun Gujarat Stahl Rohren Ltd., PSL Limited and Voltas Limited. The Company has benefited from his rich and varied experience and continues to do so.



The increase in remuneration as mentioned in the notice may be treated as an abstract of the variation of the contract of appointment of Shri M.S. Arora, Managing Director under Section 302 of the Companies Act, 1956.

None of the Directors, except Shri M. S. Arora is concerned and/ or interested in the proposed resolution.

The Board recommends the resolution as mentioned in Item no. 9 of the notice.

INFORMATION PURSUANT TO SCHEDULE XIII OF THE COMPANIES ACT, 1956

I. GENERAL INFORMATION

1) Nature of Industry :

The Company manufactures black welded and galvanized steel pipes.

2) Date or expected date of commencement of commercial production :

The Company was incorporated on 5th August, 1960 and the date of commencement of business is 17th August, 1960.

3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:

Not applicable

4) Financial Performance based on given indicators:

(Rs. in Lacs)

Financial Year ended	2009-10	2008-09	2007-08
Net Sales	48016.02	58295.98	46196.40
Total Income	50485.37	58425.70	47900.79
Total Expenditure	48488.74	56348.66	45606.95
Profit before Tax	1996.63	2077.04	2293.84
Profit after Tax (after prior period adjustments)	1195.86	1537.48	1920.68

5) Export performance and net foreign exchange collaborations, if any:

(Rs. in lacs)

Financial Year ended	2009-10	2008-09	2007-08
Foreign Exchange Earnings (FOB value of Export)	19822.03	25166.99	15535.69

6) Foreign Investments or collaborators, if any:

The Company has the following two wholly owned subsidiaries:

- i) Zenith (USA) Inc. in U. S. A., and
- ii) Zenith Middle East FZE in U.A.E.

II. INFORMATION ABOUT THE APPOINTEE:

1) Background details:

Shri M. S. Arora, aged 48 years is a qualified BE (Mechanical) from REC, Bhopal. He has more than two decades of experience in the field of Operations, Marketing, Export and General Management. Prior to joining the Company, he was the Chief Operating Officer of Man Industries Ltd. He has also held various senior level positions in Welspun Gujarat Stahl Rohren Ltd., PSL Limited and Voltas Limited. He was appointed as the CEO & Executive Director of the Company w.e.f. 10th July, 2007 and Managing Director w.e.f. 27th July, 2009.

2) Past Remuneration :

For the year 2009-10	(Rs. In Lacs)
Salary	73.14
Commission	60.48
Perquisites, allowances, etc	18.90
Total	152.52



- 3) Recognition or awards:
Shri M.S. Arora, Managing Director, has been instrumental for the Company getting the award for star performer from EEPC for excellent exporter.
- 4) Job Profile and his suitability:
The Managing Director is entrusted with substantial powers of management in respect of the whole of the affairs of the Company subject to the superintendence, control and direction of the Board of Directors. He will also perform such duties and exercise such powers as have been or may be entrusted to or conferred upon him by the Board from time to time.
With the increasing demand for pipes in India and across the globe, Shri M. S. Arora's in-depth knowledge of Company's product line would be valuable for the Company. With sufficient past experience in successfully managing the affairs of the Company, Shri M. S. Arora is best suited for the position of Managing Director.
- 5) Remuneration Proposed:
As per the details contained in the Notice of the Annual General Meeting.
- 6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person :
The executive remuneration in the industry has increased manifold in the past few years. Having regard to the type of industry, trends in industry, size of the Company, the responsibilities, academic background and capabilities of Shri M. S. Arora, the proposed remuneration is well within the remuneration payable to Directorial personnel holding similar stature/position in the Industry.
- 7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any :
Shri M. S. Arora has no pecuniary relationship with the Company, other than his remuneration as Managing Director of the Company. There are no managerial personnel related to Shri M. S. Arora.

III. OTHER INFORMATION

- 1) Reasons for loss or inadequate profit :
During the financial year 2009-10, the performance of the Company was affected due to the continuing global slowdown and the demerger of Tooling Business of the Company. During the financial year 2010-2011, the remuneration of Shri M.S. Arora, as mentioned above, will exceed the ceiling limit of 5% of the net profits of the Company.
- 2) Steps taken or proposed to be taken for improvement:
The Company is aggressively pursuing its business plans to move up in value chain by diversifying/expanding into higher technology products used by the Oil/ Gas industry and the Auto component industry. The Company is also in the process of improving its performance by achieving organic & inorganic growth.
- 3) Expected increase in productivity and profits in measurable terms:
In the competitive environment, it is difficult to estimate the revenue/profits in measurable terms. As mentioned above, the Company is taking various efforts to increase its productivity and the management is confident of substantial increase in revenue and profits in coming years.

By Order of the Board
For **Zenith Birla (India) Limited**

Mumbai
Date: 24th June, 2010

M.S. Arora
Managing Director



DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Forty Eighth Annual Report together with the Audited Statements of Accounts of your Company for the year ended 31st March, 2010. The year 2010 marks the Golden Jubilee Year of the Company.

I. FINANCIAL RESULTS

(Rs. in lacs)

PARTICULARS

	Year ended 31.03.2010	Year ended 31.03.2009
Gross Income	52862.15	64004.00
Less : Excise Duty	2376.78	4469.86
Net Income	50485.37	59534.14
Profit/(Loss) before Interest, Depreciation and Taxation	4422.97	4758.46
Interest and Finance Expenses	1900.30	2179.96
Profit/(Loss) before Depreciation and Taxation	2522.67	2578.50
Depreciation	526.04	501.46
Profit/(Loss) for the Year before Taxation	1996.63	2077.04
Less: Provision for Taxation :		
Current Tax	613.70	235.33
Deferred Tax	204.60	275.78
Wealth Tax	1.32	0.77
Fringe Benefit tax	--	18.90
Profit After Tax (PAT)	1177.01	1546.26
Expenses in respect of earlier years	--	(0.48)
Excess/(Short) provision of Current Tax for prior period	18.85	(8.30)
Profit After Tax (after prior period adjustments)	1195.86	1537.48
Balance of Profit & Loss Account as per last account	5638.40	4382.22
Less:		
Net surplus for the year ended 31st March, 2009, transferred to Birla Precision Technologies Limited on account of demerger of Tool Division	(375.57)	--
Adjusted on account of demerger of Tool Division as per the Scheme of Arrangement approved	(2068.55)	--
Difference in the book value of assets transferred on account of amalgamation of Tungabhadra Holdings Pvt Ltd as per the Scheme of Arrangement	(494.71)	--
Net Deficit for the year ended 31st March, 2009, transferred on account of amalgamation of Tungabhadra Holdings Pvt Ltd as per Scheme of Arrangement	(27.20)	--
	3868.23	5919.70
Appropriation:		
Transferred to General Reserve	89.69	--
Proposed Equity Dividend	2162.00	240.44
Tax on Proposed Equity Dividend	359.08	40.86
Balance carried to Balance Sheet	1257.46	5638.40
	3868.23	5919.70



2. SCHEME OF ARRANGEMENT

The Scheme of Arrangement between the Company, Birla Precision Technologies Ltd, Tungabhadra Holdings Private Limited and their respective shareholders has been sanctioned by the Hon'ble High Court of Bombay on 8th January, 2010. According to the Scheme, the Tooling Business of the Company has been demerged from the Company and merged with Birla Precision Technologies Ltd. Further, Tungabhadra Holdings Private Limited has been amalgamated with the Company.

In consideration of the transfer and vesting of the undertakings of Tungabhadra Holdings Private Limited in the Company, the Company has allotted 1,36,70,315 equity of Rs.10/- each to the shareholders of Tungabhadra Holdings Private Limited in the ratio of 19 (nineteen) equity share of the face value of Rs.10/- each of the Company for every 7 (seven) equity shares of the face value of Rs. 10/- each held in Tungabhadra Holdings Private Limited.

Birla Precision Technologies Limited in consideration for the transfer of and vesting of the assets and liabilities of the Tooling Business of Company, has allotted to the members of the Company, 2 (Two) Equity share of the face value of Rs. 2/- each credited as fully paid up of Birla Precision Technologies Limited, for every 5 (five) Equity shares of the face value of Rs. 10/- each credited as fully paid up held in the Company.

3. DIVIDEND

Your Directors have pleasure in recommending a dividend of Rs.2/-per share, which includes Rs.1.40 per share as special dividend, for commemorating the Company's Golden Jubilee Year. The total dividend for the year on the expanded Share Capital of the Company, as on date, amounts to Rs.2162.00 lacs.

4. FINANCIAL HIGHLIGHTS

During the year under review, the net income of the Company has decreased to Rs. 50485.37 lacs as compared to Rs. 59534.14 lacs of previous year. Profit after Tax (after prior period adjustments) for the financial year stood at Rs. 1195.86 lacs as against Rs.1537.48 lacs of previous year.

The decrease in net income and profit of the Company during the year under review was mainly due to the demerger of Tooling Business of the Company.

5. ISSUE OF GLOBAL DEPOSITORY RECEIPTS

The Company has allotted 18,11,902 Global Depository Receipts on 28th May, 2010 representing 54,357,060 underlying Equity Shares of Rs. 10/- each (offering at Rs 19.10 each) at an offer price of USD 12.69 per Global Depository Receipt aggregating to USD 23 million equivalent to Rs. 103.82 crores.

6. BONUS ISSUE

The Board of Directors in their meeting held on 24th June, 2010 has recommended a bonus issue of 1:5, i.e. one equity share of face value of Rs. 10/- each for every five equity share of face value of Rs. 10/- each held in the Company. The bonus issue is subject to approval of the shareholders in the ensuing Annual General Meeting.

7. EXPORT PERFORMANCE

Exports turnover stood at Rs. 19822.03 lacs for the year ended 31st March, 2010 as compared to Rs. 25166.99 lacs of previous year.

8. SUBSIDIARY COMPANY

The Accounts for the wholly owned Subsidiary Companies, M/s. Zenith (USA) Inc., and M/s. Zenith Middle East FZE have been received by the Company and a statement pursuant to Section 212 of the Companies Act, 1956, forms part of this Annual Report.

9. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In terms of clause 49 of the Listing Agreement entered with the Stock Exchanges, the Management Discussion and Analysis Report is appended to this report.

10. CORPORATE GOVERNANCE

Your Company will continue to strive to incorporate best of standards for good corporate governance. As a listed company, all required measures are taken to comply with the agreement entered with the Stock Exchanges. A separate report on Corporate Governance along with a Certificate of Compliance from the Auditors forms part of this report.



11. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act 1956, the Directors of the Company confirm that:-

1. In the preparation of annual accounts, applicable Accounting Standards have been followed.
2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial period and of the profit or loss for the period.
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company and for preventing and detecting fraud & other irregularities.
4. The Directors have prepared Annual Accounts on a 'going concern' basis.

12. COST AUDIT

The report of Cost Auditors in respect of audit of the cost records of the Pipes Division of the Company for the year ended 31st March 2010 will be submitted to the Central Government in due course.

13. AUDITORS REMARKS

The Notes to the Accounts are self-explanatory and therefore do not call for any further comments.

The Board of Directors explanation to the Auditors qualification/adverse remarks is as follows:

S. No.	Auditors qualification	Directors explanation
1.	The Company is maintaining proper records showing particulars including quantitative details and situation of fixed assets. <i>However, in respect of the Company's Tungabhadra Divisions at Tarapur and Murbad, the fixed asset records are in the process of being updated.</i>	Tarapur and Murbad division pertains to erstwhile M/s. Tungabhadra Holdings Private Limited which has been amalgamated with the Company during the year under review. The Company is in the process of updating the fixed assets records of Tarapur and Murbad division and will complete the same at the earliest.
2.	The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory has been noticed, <i>except in the case of the Company's Tungabhadra Divisions at Tarapur and Murbad, where the comparisons will be made once the records are completed.</i>	Tarapur and Murbad division pertains to erstwhile M/s. Tungabhadra Holdings Private Limited which has been amalgamated with the Company during the year under review. The Company is in the process of updating the fixed assets records of Tarapur and Murbad division and will complete the same at the earliest.

14. DIRECTORS

In terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Augustine P. Kurias, Director of the Company, retires by rotation at the forthcoming Annual General Meeting and is eligible for reappointment.

15. FIXED DEPOSITS

During the year under review, the Company has invited fresh Fixed Deposits from its shareholders and general public. As on 31st March, 2010, the Company has fixed deposit of Rs.1209.92 Lacs. There are no un-paid deposits (other than un-claimed), payable as of 31st March 2010. Also, there is no default in payment of interest and repayment of matured deposits.



16. AUDITORS

M/s. Dalal & Shah, Chartered Accountants, auditors of the Company, holds office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from M/s. Dalal & Shah, Chartered Accountants, expressing their unwillingness to be re-appointed as Auditors.

Based on the recommendation of the Audit Committee, the Board of Directors proposes the appointment of M/s. Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, as the Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

M/s. Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, have expressed their willingness to act as Statutory Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Companies Act, 1956.

17. PARTICULARS OF EMPLOYEES

As required under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees receiving remuneration above the prescribed limit are set out in the annexure appended to this report.

18. ACKNOWLEDGEMENTS

During the financial year under review, Industrial Relations continued to remain cordial. Your Directors wish to place on record their sincere thanks to the continuing commitment and dedication of employees at all levels. In the Golden Jubilee Year of the Company, the Directors would also like to express their gratitude for the continued support of all the stakeholders such as Banks, Financial Institutions, various State and Central Government Authorities, Customers, Vendors and last but not least our valued Shareholders, who have been supporting the management for all these years.

For and on behalf of the Board

Place: Mumbai
Date: 24th June, 2010

Yash Birla
Chairman



ANNEXURE TO DIRECTORS` REPORT

(Information under Section 217 (1) (e) of the Companies Act 1956, read with Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988 and forming part of the Directors` Report for the year ended 31st March 2010)

A. CONSERVATION OF ENERGY: -

- a) Energy Conservation Measures Taken:
The Company has taken following measures for energy conservation at the factories, namely:
- 1) Replacement of old compressor were undertaken in the year under review which would result in energy saving and better efficiency.
 - 2) Insulation updated for steam lines & vessels & arrangements improved for condensate collection and transfer to Boiler feed water tank.
 - 3) Due to increase in Spray drying capacity in previous years by increasing ID & FD fan capacity, the electrical consumption per unit of production has been reduced.
 - 4) Company has achieved power factor improvement up to unity (1000) by Installing additional capacitor tanks, thus getting maximum power factor rebate in energy bill.
- b) Further R & D work is being carried on for reduction of time cycle of the Process.
- c) Impact of measures of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.
The above measures have resulted in energy saving and consequent decrease in the cost of production.
- d) Total Energy Consumption and Energy Consumption per unit of production is not applicable to any units of the Company.

Note: Energy audit of Khopoli has been completed.

B. TECHNOLOGY ABSORPTION:

Efforts made in Technology Absorption as per Form B.

FORM "B"

Research and Development (R & D)

1. Specific areas in which R & D carried out by the Company.
 - (a) R & D Work is going on to give more yields and to reduce time cycle of process for optimizing the raw material consumption and utilities norms.
 - (b) Development of new value added products.
2. Future Plan of Action
To develop further new value added products.
3. Expenditure on R & D
The expenditure on in-house R & D is shown under respective heads and no separate account is maintained.
4. Technology Absorption, Adaptation and Innovation: Nil

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Rs.in crores

	2009-10	2008-09
Total Foreign Exchange earnings	198.22	251.66
Total Foreign Exchange outgo	74.84	61.62

D. PARTICULARS OF EMPLOYEES:

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of the Directors Report for the year ended 31st March 2010:

A. Employed throughout the year:

Sr. No.	Name	Qualification	Age	Designation	Experience (Years)	Date of Commencement of Employment	Gross Remuneration (Rs. In Lacs)	Last Employment held
I	M. S. Arora	B.E. (Mech)	48	Managing Director	24	15.03.2007	152.52	Man Industries Ltd.

B. Employed for part of the year:

Sr. No.	Name	Qualification	Age	Designation	Experience (Years)	Date of Commencement of Employment	Gross Remuneration (Rs. In Lacs)	Last Employment held
I	Sachin Sanghvi	Chartered Accountant	35	Chief Financial Officer	12	01.07.2009	20.07	Core Projects & Technologies Ltd.



MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

ECONOMIC SCENARIO:

Indian economy grew by 7.4% in 2009-10, however, in the quarter ended March, 2010, the economy grew by 8.6% which was much better than expected. The upward revision in the growth rate is mainly on account of higher performance in 'agriculture, forestry and fishing', 'Mining & quarrying' and Manufacturing. The growth for 2010-11 is being estimated at 8.5%. The index of Industrial Production in March 2010 stands at 347.3, which is 13.5% higher as compared to the level in March 2009. The cumulative growth for the year 2009-10 stands at 10.4% over the corresponding previous year.

There has been an expansion in global trade in recent months. India's exports during April 2010 were valued at US \$ 16.9 billion which was 36.2% higher than the level of US \$ 12.4 billion during April 2009. Imports during April 2010 were registered at US \$ 27.3 billion representing a growth of 43.3% over the level of imports valued at US \$ 19.1 billion in April 2009. With the recent global developments and unfolding of the Greek crisis, global financial markets have been largely impacted due to higher risk aversion among investors. India, too, is witnessing some capital outflows and currency depreciation due to the impact of the ongoing Euro crisis.

INDUSTRY STRUCTURE:

The pipeline industry is an important part of manufacturing sector and is a major consumer of steel. The industry has benefited from economic growth and the increasing emphasis on infrastructure. The key economic driver for the industry includes water infrastructure, oil & gas exploration, transportation and power industry.

Today, pipes are the most preferred mode of transport for liquids and gases globally as they are safe and economical. Further, in comparison to rail & roads, they have lower operating cost per unit and also higher capacity.

India has become the global pipe manufacturing hub primarily due to its lower cost, high quality and geographical advantages. Additionally, Indian companies have acquired global accreditations and certifications which make them preferred suppliers to most of the world's top oil and gas companies in the Middle East, North America and Europe.

OPPORTUNITIES & THREATS:

Opportunities:

The exploration activities in the Country are bound to grow on account of depletion of oil reserves, thereby resulting in an increase in the demand for pipes. The domestic gas availability is poised to increase two-fold over the next four years. The planned investments and ongoing projects will triple the gas transmission infrastructure, with the eventual development of a national gas grid. The government is also planning to build national gas highways. All this indicates that the demand for pipes for oil & gas drilling will remain robust.

Irrigation remains a key focus area for the Government and more so for the state governments due to the politically sensitive nature of the investments. Combined with water supply and the sanitation segment, which is essentially driven by the Government plan for Jawaharlal Nehru National Urban Renewal Mission projects, this segment is the second-most important focus for the government after the power sector as per the 11th five-year plan. The 11th plan envisages US\$ 83bn of investments in irrigation and water supply and sanitation over FY08-12.

As the Union Government has been laying a lot of stress on building infrastructure in the recent past, the steel tubes and pipe segment has been seeing a steady demand. The situation is improving further with the private sector players' increasing participation in infrastructure projects.

Threats/risks:

1. The unavailability of steel plates/coils (the primary component in pipe manufacturing) is the biggest risk factor for the pipe-manufacturing industry, because majority of them are imported into India. Long gestation supplies of these materials or any subsequent delay in delivery could affect the production cycle of the business.
2. Sharp unexpected increase in the cost of raw materials i.e steel plates/coils may affect the profitability of the Company as the raw materials comprise 70-75% of the total cost structure.
3. A sharp and unprecedented increase in the cost of freight may lead to pressure on margins. Presently, the cost of freight is calculated prior to the execution of the order. However, if this cost were to rise sharply and suddenly, the pipe-manufacturing companies could be at risk if charter rates were not tied up well in advance.



4. Global competition could pose problems for Indian Pipe Manufacturers in the medium to long term.
5. The Indian pipe manufacturers are subject to foreign exchange risk due to high imports and exports.
6. Any adverse change in government policies can affect the industry.

OUTLOOK:

Supported by good domestic economic growth, backed by well established brand image, global reach and focused approach, the Company is hopeful that the demand for the Companies steel pipes will continue to grow in future.

Company is also aggressively pursuing the plan to move up in the value chain by diversifying/expanding into higher technology products used by Oil/Gas industry and Auto component industry. The Company is also in the process of further improving its performance by achieving organic & inorganic growth.

INTERNAL CONTROL SYSTEMS:

The Company has an intricate system of internal control procedure commensurate to its size and nature of the business. This internal control system ensures optimal use of the Company's resource and protection thereof. This internal control system provides for well administered policies, guidelines, authorization and approval procedures.

The Company has appointed internal auditor who carries out audit of accounts, internal control systems & procedures on regular basis. They are well guided by the Audit Committee of the Board of Directors, who approve their audit plans, reviews their report and also make necessary suggestions for its further improvements.

FINANCIAL PERFORMANCE:

During the year under review, the net income of the Company has decreased to Rs. 50485.37 lacs as compared to Rs. 59534.14 lacs of previous year. Profit after Tax (after prior period adjustments) for the year under review stood at Rs. 1195.86 lacs as against Rs. 1537.48 lacs in the previous year.

The decrease in net income and profit of the Company during the year under review was mainly due to the demerger of Tooling Business of the Company.

HUMAN RESOURCES:

The Company has focused on building the organization for developing human resources. More attempts are now being made to develop a better structure in this important area with a long term future in mind.

The Company has taken various initiatives towards recruitment and retention of the best talent within and outside the industry. It encourages employees to take part in various internal and external training programs. This alongwith the rewards & recognition gives opportunity to talented employees to take higher responsibilities in the organization.

As in the past, the industrial relation continues to remain generally cordial at all locations of the Company.

HEALTH & SAFETY:

The Company continuously focuses on the health & safety of all its workers & staff. Adequate safety measures have been taken at all the plants for the prevention of accidents or other untoward incident.

The necessary medical facilities are available for the workers, staff and their family members to enable them to maintain good health.

Cautionary Statement:

Some of the statements contained within this report may be forward looking in nature and may involve risks and uncertainties. Actual Results, and Outcomes in future may vary materially from those discussed herein. Factors that may cause such variances include, but are not limited to management of growth, market acceptance of Company's product, risk associated with new product version, dependence on third party relationship and the activities of competitors.



REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Corporate Governance:

Corporate Governance is about promoting corporate fairness, transparency and accountability and commitment. Zenith Birla (India) Limited is committed to sound principles of corporate governance. The Board of Directors believes that adherence to sound corporate governance policies and practices is important in ensuring that Zenith is governed and managed with the highest standards of responsibility, ethics and integrity and in the best interests of its stockholders.

Your Company will continue to constantly upgrade management practices to conform to the norms of ideal corporate governance in the years to come.

I. Board of Directors:

a) Composition of Board:

As on March 31, 2010, the Board of Directors consisted of 6 (six) Directors, out of which 1 (one) is a Executive Director, 2 (two) are Non-Executive, Non-Independent Directors and 3 (three) are Independent Directors. The details of the Directors with regard to outside directorships and committee positions as on 31st March 2010 are as follows:

Name of Directors	Executive/ Non-Executive/ Independent *	No. of Shares held	No. of Outside Directorship and Committee Memberships	
			Outside Directorships	Outside Committee Memberships
Shri Yash Birla	Non-Executive Non-Independent	119002	9	1
Shri M.S.Arora	Executive, Non- Independent	12	1	Nil
Dr. D. V. Kapur	Non-Executive, Independent	Nil	6	5
Shri Augustine P. Kurias	Non-Executive, Independent	Nil	1	2
Shri Aniruddha Barwe	Non-Executive, Independent	Nil	7	5
Shri P.V.R. Murthy	Non-Executive, Non-Independent	Nil	10	7

* An independent director is a director who apart from receiving Directors remuneration does not have any material pecuniary relationship or transaction with the Company, its promoters or its management, or its subsidiaries, which in the judgment of the Board may affect their independence of judgment.

Note: The directorship held by Directors as mentioned above, do not include Alternate Directorship and Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies.

The Board of Directors is responsible for the management of the business of the Company and meets regularly for discharging its role and functions.

b) Non- Executive Directors' Compensation and disclosures:

Apart from sitting fees that are paid to the Non- Executive and Independent Directors for attending Board/Committee meetings, no other fees/commission were paid during the year. During the period under review, there was no pecuniary relationship or business transaction by the Company with any Non-Executive Directors. The details of sitting fees paid to the Directors are given separately in this report.

c) Note on Directors Seeking Appointment/Re-appointment:

Shri Augustine Kurias, is M.A. (Eco), C.A.I.I.B. by qualification. He is a retired banker with more than 40 years experience in banking industry. He has worked with RBI, IDBI in various capacities including CGM & Principal of Bankers Training Colleges of RBI. He had also served on Board of various Public Sector Banks and Financial Institutions. He is the



Chairman of the Audit Committee, Remuneration Committee and Shareholders/Investor Grievance Committee of the Company. Shri Kurias is also a director on the Board of Birla Precision Technologies Ltd. and also acts as the Chairman of the Audit Committee of Birla Precision Technologies Ltd.

d) Other Provisions as to Board and Committee:

The Board meets at least once a quarter to review the quarterly performance and the financial results. Meetings are generally scheduled well in advance and the notice of each Board Meeting is given in writing to each Director. All the items in the agenda are accompanied by notes giving comprehensive information on the related subject and in certain matters such as financial/business plans, financial results, detailed presentations are made. The agenda and the relevant notes are sent in advance separately to each Director and only in exceptional cases, the same is tabled at the meeting. The Board is also free to recommend the inclusion of any matter for discussion in consultation with the Chairman.

During the year ended 31st March, 2010, Board Meetings were held on 29th April 2009, 27th July 2009, 27th August 2009, 28th October 2009, 29th January, 2010 and 3rd March 2010.

Attendance of Directors at Board Meetings and at the Annual General Meeting (AGM)		
Name of Director	No. of Board Meetings Attended	Last Annual General Meeting Attended
Shri Yash Birla, Chairman	5	Yes
Shri M.S.Arora	6	Yes
Dr. D. V. Kapur	5	Yes
Shri Augustine P. Kurias	6	Yes
Shri Aniruddha Barwe	6	Yes
Shri P.V.R. Murthy	4	No

The information as specified in Annexure IA to Clause 49 of the Listing Agreement is regularly made available to the Board.

To enable the Board to discharge its responsibilities effectively, the members of the Board are briefed at every Board Meeting, on the overall performance of the Company, with presentations by functional heads. Senior management is invited to attend the Board Meetings so as to provide additional inputs to the items being discussed by the Board.

The Board's role, functions, responsibility and accountability are clearly defined. In addition to matters statutorily requiring Board's approval, all major decisions involving policy formulation, strategy and business plans, annual operating and capital expenditure budgets, new investments, compliance with statutory/regulatory requirements, major accounting provisions and write-offs are considered by the Board.

The minutes of the Board Meeting are circulated in advance to all Directors and confirmed at subsequent Meeting.

e) Code of Business Conducts and Ethics:

The Board of Directors have adopted and put in place the Code of Business Conduct & Ethics for the Directors and Senior Management. The Code lays down in detail, the standards of business conducts, ethics and best corporate practice. The fundamental principal of the code is:

"The purpose of the Code is to deter wrongdoing and promote ethical conduct, maintain the trust and confidence of the public, the good reputation of the Company and the unquestioned integrity of all personnel involved in the Company. The matters covered in this Code are utmost importance to the Company, our shareholders and our business partners."

A copy of the Code has been put on the Company's website www.zenithsteelpipes.com.

All Directors and Senior Management personnel of the Company have affirmed compliance with the provisions of the Zenith Code of Business Conduct & Ethics for the financial year ended 31st March 2010.



A declaration signed by the Managing Director of the Company is given below:

I hereby confirm that the Company has obtained from all the members of the Board and management personnel, affirmation that they have complied with the Code of Business Conduct and Ethics for Directors and management personnel in respect of the financial year 2009-10.

Place: Mumbai
Date: 31st May, 2010

Sd/-
M.S. Arora
Managing Director

II. **Audit Committee:**

Composition, meetings, attendance during the year:

The Audit Committee consists of three members, all being Independent, Non-Executive Directors. All the members of the Audit Committee have adequate accounting and financial knowledge.

Shri Augustine P. Kurias, Chairman of the Committee is a Non-Executive Independent Director and was present at the last Annual General Meeting of the Company. The Jt. Company Secretary acts as the Secretary to the Audit Committee.

The main objective of the Audit Committee is to review the Financial Statements, Audit, Internal Controls and Risk Management processes. The Committee also monitors any proposed changes in the Accounting Policy and appraises the Board of Directors with its observations and suggestions.

During the year ended 31st March, 2010, the Committee met 6 times on 29th April 2009, 27th July, 2009, 27th August 2009, 28th October 2009, 29th January 2010 and 3rd March 2010.

The composition of the Audit Committee and the attendance of members during the accounting period are as under:

Name of the Member	Category	No. of Meetings Attended
Shri Augustine P. Kurias (Chairman)	Independent Non-Executive	6
Dr. D. V. Kapur	Independent Non-Executive	5
Shri Aniruddha Barwe	Independent Non-Executive	6

The Statutory Auditors and Internal Auditors attended the meetings on invitation from the Company.

Scope of Audit Committee:

The Audit Committee of the Board deals with all matters relating to financial reporting, audit, internal controls, risk management, related party transactions etc. and reports back to the Board on the matters, which among others, include:

- To review the quarterly/half yearly and Annual Financial Statements and to submit its comments/observations to the Board of Directors.
- To ensure that the financial statements are correct, reliable and in accordance with the Accounting Standards and other laws.
- To review the internal audit reports and to submit its suggestions and recommendations etc.
- To meet Statutory and Internal Auditors periodically and discuss their findings, suggestions and other related matters.
- To review the Auditors' Report on the financial statements and to seek clarification thereon, if required, from the Auditors.
- To review the weaknesses in internal controls, if any, reported by the Internal and Statutory Auditors and report to the Board the recommendations relating thereto.
- To recommend a change in the Auditors, if in the opinion of the Committee, the Auditors have failed to discharge their duties adequately.
- To review the Risk Management practice being followed by the management and to provide necessary guidance in this regard.
- To critically analyze the operating and capital budget and its periodical review vis a vis the actual performance.



- j) To ensure that there are no defaults committed in relation to Banks, Financial Institutions, Depositors and all other statutory obligations.

III. Subsidiary Company:

The Company has two subsidiary companies. However, the Company does not have any material non-listed Indian subsidiary whose turnover or net worth (i.e. paid-up capital and free reserves) exceed 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding year.

Brief of the Company's subsidiary companies as on March 31, 2010 are as under:

Sr. No.	Name of the Subsidiary	Date of Incorporation	Country in which incorporated
1.	Zenith (USA) Inc.	June 18, 1970	USA
2.	Zenith Middle East FZE	July 19, 2006	Dubai - UAE

Subsidiary Monitoring Framework:

Both the subsidiary companies of the Company are Board managed with their Board having its rights and obligations to manage such companies in the best interest of their stakeholders. As a majority shareholder, the Company nominates its representatives on the Boards of subsidiary companies and monitors the performance of such companies, inter-alia, by the following means:

- The Audit Committee of the Company reviews financial statements quarterly.
- All minutes of the meetings of subsidiary companies are placed before the Company's Board regularly.
- A statement containing all significant transactions and arrangements entered into by the unlisted subsidiary companies is placed before the Company's Board.

IV. Shareholders/Investors Grievance Committee:

The Shareholders/Investors Grievance Committee is empowered to oversee (a) Transfers of shares, (b) Issue of duplicate/new/sub-divided and consolidated Share Certificates and (c) Shareholders/Investors Grievance and its redressal. The Committee has met 40 times in the accounting period.

The composition of the Shareholders/Investors Grievance Committee and the attendance of members during the accounting period are as under:

Name of the Member	Category	Position in Committee	No. of Meetings attended
Shri Augustine P. Kurias	Independent Non-Executive	Chairman	40
Shri M.S. Arora	Executive	Member	40

The Jt. Company Secretary acts as the Secretary to the Shareholders' Committee.

The total number of complaints received and resolved to the satisfaction of investors during the year under review and their break-up is provided as under-

Type of Complaints	No. of Complaints		
	Received	Resolved	Pending
Non receipt of Certificates	17	17	-
Non receipt of De-mat rejected Certificates/ De-mat Credit	7	7	-
Non receipt of Dividend Warrants	40	40	-
Non receipt of Annual Report	29	29	-
Others	42	42	-
SEBI/Stock Exchange	3	3	-
Total	138	138	-

V. Remuneration Committee:

The Board has constituted Remuneration Committee, comprising of Shri Augustine P. Kurias (Chairman), Dr. D.V. Kapur and Shri Yash Birla. The Remuneration Committee has been constituted to fix remuneration payable to Managing Director/



Executive Director, granting of Employee Stock Option to the working directors and employees of the Company and such other matter relating to the remuneration and compensation payable to the Director(s) and employees. Detail of the remuneration paid to Directors is as follows:

Name of Director	Remuneration paid during 1 st April, 2009 to 31 st March, 2010		
	Sitting Fees (Rs. In Lakhs)	Salary, Perquisites etc. (Rs. In Lakhs)	Total (Rs. In Lakhs)
Shri Yash Birla	0.35	Nil	0.35
Dr. D. V. Kapur	0.70	Nil	0.70
Shri Augustine P. Kurias	0.84	Nil	0.84
Shri Aniruddha Barwe	0.84	Nil	0.84
Shri P.V.R.Murthy	0.28	Nil	0.28
Shri M. S. Arora	Nil	152.52	152.52

The Company does not pay any remuneration to its Non-executive Directors, except for sitting fees for attending Board & Committee Meetings.

VI. General Body Meetings:

(a) Location and time where the AGM were held in last 3 years :-

Year	AGM	Location	Date & Time
2008-2009	47 th	Sunville Banquets & Conference Hall, Orchid Room, 2 nd Floor, 9, Dr. A.B. Road, Worli, Mumbai-400 018	24.09.2009 at 4.00 p.m.
2007-2008	46 th	Patkar Hall, I, Nathibai Thackersey Road, Mumbai 400 020.	15.09.2008 at 4.00 p.m.
2006-2007	45 th	Patkar Hall, I, Nathibai Thackersey Road, Mumbai 400 020.	14.09.2007 at 11.00 a.m.

(b) Whether the Special Resolution were put through postal ballot last year – No.

(c) Are Special Resolutions proposed to be put through postal ballot this year – No.

VII. Disclosures:

- There are no materially significant transactions with the related parties viz. Promoters, Directors or the Management, their Subsidiaries, or relatives, conflicting with Company's interest. Suitable disclosures as required by the Accounting Standard (AS18) - related party transactions, have been made in the Annual Report.
- There is no pecuniary relationship or transactions of non-executive directors vis-a-vis the Company which has potential conflict with the interests of the Company at large.
- No penalties or strictures have been imposed on the Company by the Stock Exchanges, or SEBI, or any Statutory Authority on any matter related to capital markets during the last financial year.
- The entire un-paid Interest / Dividend etc. have been transferred to the Investors Education and Protection Fund as per the provisions of the Companies Act, 1956.

VIII. Means of Communication:

The Board of Directors of the Company approves and takes on record the Un-audited Quarterly Financial Results and Audited Annual Results in the format prescribed by the BSE & NSE where the shares of the Company are listed. The same are published within 48 hours in the National and Regional newspapers.

IX. Shareholders Information:

- Annual General Meeting proposed to be held
Date & Time : 2nd August, 2010 at 3.30 p.m.
Venue : Hall of Culture, Discovery of India Building, Nehru Centre,
Dr. Annie Besant Road, Worli , Mumbai 400018



- 2 Financial Calendar for the year 2010-2011 (Proposed)
- Accounting Year : April 1, 2010 to March 31, 2011
- First Quarter Results : on or before 14th August, 2010
- Second Quarter Results : on or before 14th November, 2010
- Third Quarter Results : on or before 14th February, 2011
- Fourth Quarter Results : on or before 15th May, 2011
- Annual Results : July/August, 2011
- Mailing of Annual Report : July/August, 2011
- Annual General Meeting : On or before 30th September, 2011
- 3 Book Closure Date : Friday, 9th July, 2010 to Monday 12th July, 2010 (both days inclusive)
- 4 Registered Office : Dalamal House, 1st Floor, 206, J. B. Marg, Nariman Point, Mumbai – 400 021.
- 5 Listing of Equity Shares on the Stock Exchange :
1. Bombay Stock Exchange Ltd.
P. J. Towers, Dalal Street,
Mumbai 400 021.
 2. National Stock Exchange of India Ltd.
Exchange Plaza, Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051.

Note : Listing Fees for the year 2010-11 has been paid to Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

- 6 i. Stock Exchange : Bombay Stock Exchange Ltd.
P.J. Towers, Dalal Street,
Mumbai 400 023
- Stock Code : 531845
- ii. Stock Exchange : National Stock Exchange of India Ltd.
Exchange Plaza,
Bandra-Kurla Complex, Bandra(East)
Mumbai 400 051.
- Stock Code : ZENITHBIR
- iii. ISIN No. for the Company's Equity Shares in Demat form : INE318D01020
- iv. Depositories connectivity : NSDL and CDSL

7. Stock Price Data :

Market Price Data: High, Low during each month in the financial year.

Monthly High/ Low of market price of the Company's shares traded on the Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Limited (NSE) during the financial year ended 31st March, 2010 is furnished below:

Months	NSE		BSE		Months	NSE		BSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)		High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 09	22.00	10.65	22.09	11.50	October, 09	25.95	20.85	26.00	21.10
May, 09	25.60	16.00	26.50	16.00	November, 09	22.80	19.10	23.15	16.70
June, 09	29.90	19.65	29.45	18.75	December, 09	28.20	21.00	30.30	17.00
July, 09	22.60	14.25	22.05	14.05	January, 10	32.00	23.00	32.60	23.00
August, 09	26.20	19.60	26.00	19.50	February, 10	27.85	23.05	28.00	21.00
September, 09	26.40	22.05	26.50	21.50	March, 10	31.20	18.50	31.35	18.05

Source: www.bseindia.com, www.nseindia.com



8. Registrar & Share Transfer Agents : Bigshare Services Pvt. Ltd.
E/2, Ansa Industrial Estate, Saki Naka,
Saki Vihar Road, Andheri (East)
Mumbai 400072
Tel. Nos. 28470652/ 40430200, Fax No. 28475207
e.mail: info@bigshareonline.com

Shareholders can login in to www.bigshareonline.com, the website of our Registrar and Share Transfer Agents for assistance.

9. **Share Transfer System:**

The Board has delegated the authority for approving transfer, transmission etc. of Company's securities to the Shareholders / Investors Grievance Committee, who in turn has authorized the Jt. Company Secretary and officials of the Secretarial Department to carry this work. The share transfer formalities are completed on a weekly basis. The Shares sent for transfer in physical form are sent to Registrars and Share Transfer Agents, and returned between 15 to 30 days from the date of receipt, if documents are in order in all respects. Shares under objections are returned within 2 weeks.

10 **Distribution of Shareholding as on 31st March, 2010:**

No. of Equity Shares held	Total No. of Shareholders	No. of Shares held	Percentage Shareholding
1 to 500	63681	3348393	6.23
501 to 1000	1373	1129486	2.10
1001 to 2000	492	775211	1.44
2001 to 3000	137	353200	0.66
3001 to 4000	85	310838	0.58
4001 to 5000	80	384826	0.72
5001 to 10000	94	726578	1.35
10001 and above	109	46714327	86.92
Total	66051	53742859	100.00

11 **Categories of Shareholding as on 31st March, 2010:**

Categories	No. of Shareholders	No. of shares held	Percentage Shareholding
Promoters and their Associate companies	32	27113748	50.45
Domestic Companies	529	12528351	23.31
NRIs	213	129101	0.24
Banks/ FIs and Insurance Companies	51	357812	0.67
Mutual Funds	4	542	0.00
Resident Individual (Public)	65189	13587158	25.28
Clearing Members	33	26147	0.05
Total	66051	53742859	100.00

12. **Dematerialization of shares and liquidity:**

71.80% of the total Equity Capital is held in dematerialized form with NSDL and CDSL as on 31.03.2010. Trading in Equity Shares of the Company is permitted only in dematerialized form as per notification issued by Securities and Exchange Board of India (SEBI).



13. Outstanding GDRs : The Company has not issued any GDR during the year 2009-10. On 28th May, 2010 the Company has allotted to 'The Bank of New York Mellon' in its capacity as Depository, 18,11,902 Global Depository Receipts underlying 5,43,57,060 fully paid equity shares of Rs.10/- each.
14. Plant Location : a) Khopoli Unit
Tal Khopoli, Dist. Raigad,
Maharashtra-410203
- b) Tarapur Unit
G-38/39, Tarapur Industrial Area,
Village Saravali, Taluka Palgar,
Dist. Thane,
Maharashtra
- c) Murbad Unit
Survey (Gut) No. 440/441,
Village Nhave, Taluka Murbad,
Dist. Thane,
Maharashtra
15. Address for Investors
Correspondence : Shri Vinay Desai
Secretarial Assistant
5th Floor, Industry House, 159, Churchgate Reclamation,
Mumbai 400020.
Tel. No. 022-22026340 Extn: 427
Fax No. 022-22828865
e.mail: share@zenithsteelpipes.com

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of Zenith Birla (India) Limited

We have examined the compliance of conditions of Corporate Governance by Zenith Birla (India) Limited, for the year ended 31st March 2010, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s).

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 **Dalal & Shah**
Firm Registration Number: 102021W
Chartered Accountants

S. Venkatesh
Partner
Membership Number: 037942

Mumbai, 31st May, 2010, except as to Note 20 to the Accounts, which is as of 24th June, 2010, and is on the basis of audit procedures restricted to amendment described in that Note.



AUDITORS' REPORT TO THE MEMBERS OF ZENITH BIRLA (INDIA) LIMITED

1. We have audited the attached Balance Sheet of Zenith Birla (India) Limited as at 31st March, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Dalal & Shah**
Firm Registration Number: 102021W
Chartered Accountants

S. Venkatesh
Partner
Membership Number: 037942

Mumbai, 31st May, 2010, except as to Note 20 to the Accounts, which is as of 24th June, 2010, and is on the basis of audit procedures restricted to amendment described in that Note.



ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Zenith Birla (India) Limited on the financial statements for the year ended 31st March, 2010.

1. (a) The Company is maintaining proper records showing particulars including quantitative details and situation of fixed assets. *However, in respect of the Company's Tungabhadra Divisions at Tarapore and Murbad, the fixed asset records are in the process of being updated.*
(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory has been noticed, *except in the case of the Company's Tungabhadra Divisions at Tarapore and Murbad, where the comparisons will be made once the records are completed.*
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year so as affect its going concern.
2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. Inventories lying with outside parties have been confirmed by them at the close of the year.
(b) In our opinion, the procedures of physical verification of inventory followed by the management are 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, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
(b) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. There is no sale of services during the year. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year, to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975, with regard to the deposits accepted from the public. According to the information and explanations given to us, no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. However, Advance Tax amounting to Rs 533.70 lacs remained in arrears as at the last day of the financial year, of which, Rs 350.22 lacs remained outstanding for a period exceeding six months from the date they became payable.

- (b) According to the information and explanations given to us and the records of the Company examined by us, there were no disputed dues in respect of income tax, wealth tax, service tax and cess. The particulars of dues of custom duty, excise duty and sales-tax, as at 31st March, 2010 which have not been deposited on account of disputes are as follows:

Nature of dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where the dispute is pending
Custom Duty	82.00	1998-1999	Tribunal
	3.45	1985-1986	High Court
Excise Duty	129.78	1995-1996	Commissioner Appeals
Sales Tax	78.88	1995-1996	Tribunal

10. The Company has no accumulated losses as at 31st March 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any bank. There were no dues to any financial institution or debenture holder during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In respect of shares, securities, debentures and other investments dealt or traded by the Company, proper records have been maintained in respect of the transactions and contracts and timely entries have been made therein. All the investments are held by the Company in its own name.
14. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
15. The Company has not obtained any term loan during the year.
16. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
17. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
18. The Company has not issued any debentures during the year.
19. The Company has not raised any money by public issues during the year.
20. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.
21. The other clauses, (iii)(b), (iii)(c), (iii)(d), (iii)(f), (iii)(g), and (xiii) of paragraph 4 of the Order, are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid Order.

For **Dalal & Shah**
Firm Registration Number: 102021W
Chartered Accountants

S. Venkatesh
Partner
Membership Number: 037942

Mumbai, 31st May, 2010, except as to Note 20 to the Accounts, which is as of 24th June, 2010, and is on the basis of audit procedures restricted to amendment described in that Note.



BALANCE SHEET AS AT 31ST MARCH, 2010

		(Rs.in Lacs)	
		as at	as at
		31.03.2010	31.03.2009
I. SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
(a) Share Capital	1	5,374.28	4,007.25
(b) Reserves and Surplus	2	13,103.61	18,529.77
		<u>18,477.89</u>	<u>22,537.02</u>
NET DEFERRED TAX LIABILITY (Refer Note 13)		459.91	158.70
LOAN FUNDS			
(a) Secured Loans	3	10,439.41	9,956.65
(b) Unsecured Loans	4	1,471.92	1,376.32
(c) Vehicle Loans	5	31.67	17.25
		<u>11,943.00</u>	<u>11,350.22</u>
TOTAL		<u>30,880.80</u>	<u>34,045.94</u>
II. APPLICATION OF FUNDS			
FIXED ASSETS			
(a) Gross Block	6	12,458.98	11,034.21
(b) Less: Depreciation		2,619.74	2,033.62
(c) Net Block		<u>9,839.24</u>	<u>9,000.59</u>
(d) Capital Work-in-Progress		2,423.52	2,956.26
		<u>12,262.76</u>	<u>11,956.85</u>
INVESTMENTS		260.59	759.89
CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	8	12,197.15	11,617.03
(b) Sundry Debtors	9	9,112.18	5,373.70
(c) Cash and Bank Balances	10	3,432.09	2,107.55
(d) Loans and Advances	11	19,537.12	20,482.72
		<u>44,278.54</u>	<u>39,581.00</u>
Less:			
CURRENT LIABILITIES AND PROVISIONS			
(a) Liabilities	12	21,119.53	15,556.16
(b) Provisions	13	4,801.56	2,695.64
		<u>25,921.09</u>	<u>18,251.80</u>
NET CURRENT ASSETS		18,357.45	21,329.20
TOTAL		<u>30,880.80</u>	<u>34,045.94</u>
Notes forming part of the Accounts		20	

As per our attached report of even date

For **Dalal & Shah**
Firm Registration No.: 102021W
Chartered Accountants

S. Venkatesh
Partner
Membership No: 037942
Mumbai, 24th June, 2010

By Order of the Board

Yash Birla
Chairman

M. S. Arora
Managing Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

	SCHEDULE	(Rs.in Lacs)	
		For the year ended 31st March,2010	For the year ended 31st March,2009
INCOME			
Sale of Products and Export Incentives		50,392.80	62,765.84
Less : Excise Duty		2,376.78	4,469.86
		<u>48,016.02</u>	<u>58,295.98</u>
Other Income	14	2,469.35	1,238.16
		<u>50,485.37</u>	<u>59,534.14</u>
EXPENDITURE			
(Increase)/Decrease in Stocks	15	(1,890.56)	(500.56)
Materials Consumed		36,415.55	36,907.39
Purchase of Finished Goods for Trade		3,791.79	8,622.06
Manufacturing and Maintenance	16	2,616.31	2,903.45
Employees' Remuneration and Benefits	17	1,515.34	2,627.68
Administrative, Selling and Other Expenses	18	3,613.97	4,215.66
		<u>46,062.40</u>	<u>54,775.68</u>
PROFIT BEFORE INTEREST, DEPRECIATION AND TAXATION		<u>4,422.97</u>	<u>4,758.46</u>
Interest and Finance Expenses	19	1,900.30	2,179.96
PROFIT BEFORE DEPRECIATION AND TAXATION		<u>2,522.67</u>	<u>2,578.50</u>
Depreciation		526.04	501.46
PROFIT FOR THE YEAR BEFORE TAXATION		<u>1,996.63</u>	<u>2,077.04</u>
Less: Provision for Taxation			
Current Tax (Net of MAT Credit Rs. 238.69 lacs)		613.70	235.33
Deferred Tax		204.60	275.78
Wealth Tax		1.32	0.77
Fringe Benefit Tax		-	18.90
		<u>819.62</u>	<u>530.78</u>
PROFIT FOR THE YEAR		<u>1,177.01</u>	<u>1,546.26</u>
Expenses in respect of earlier years		-	(0.48)
Excess/(Short) Provision of Current Tax for Prior Period		18.85	(8.30)
		<u>1,195.86</u>	<u>1,537.48</u>
Balance of Profit as per last account		5,638.40	4,382.22
Less: Net Surplus for the year ended 31st March 2009, transferred to Birla Precision Technologies Ltd. on account of demerger of Tool Division (Refer Note 9)		(375.57)	-
Adjusted on account of demerger of Tool Division as per the scheme of arrangement approved (Refer Note 9)		(2,068.55)	-
Difference in book value of assets transferred on account of amalgamation of Tungabhadra Holdings Pvt.Ltd.as per Scheme of arrangement (Refer Note 9)		(494.71)	-
Net Deficit for the year ended 31st March 2009, transferred on account of amalgamation of Tungabhadra Holdings Pvt.Ltd. as per Scheme of arrangement (Refer Note 9)		(27.20)	-
BALANCE AVAILABLE FOR APPROPRIATION		<u>3,868.23</u>	<u>5,919.70</u>
APPROPRIATION:			
Transferred to General Reserve		89.69	-
Proposed Equity Dividend		2,162.00	240.44
Tax on Proposed Equity Dividend		359.08	40.86
Balance Carried to Balance Sheet		<u>1,257.46</u>	<u>5,638.40</u>
		<u>3,868.23</u>	<u>5,919.70</u>
Average number of Equity Share outstanding during the year		53,742,859	40,072,544
Nominal value of ordinary share		10.00	10.00
Basic \ Diluted earning per share		2.23	3.84

20

As per our attached report of even date
For Dalal & Shah
 Firm Registration No.: I02021W
 Chartered Accountants

S. Venkatesh
 Partner
 Membership No: 037942
 Mumbai, 24th June, 2010

By Order of the Board
Yash Birla
 Chairman

M. S. Arora
 Managing Director



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	(Rs.in Lacs)	
	For the year Ended 31.03.2010	For the year Ended 31.03.2009
A. CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT BEFORE TAX	1,996.63	2,077.04
Adjustment for :		
Depreciation	526.04	501.46
Loss/(Surplus) on Sale of Fixed Assets (Net)	(131.46)	13.41
Interest and Finance Expenses	1,900.30	2,179.96
Interest Income	(1,366.64)	(1,108.44)
Dividend from Current Investments	(0.82)	-
Expenses in respect of earlier years	-	(0.48)
	927.42	1,585.91
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	2,924.05	3,662.95
Adjustment for :		
Trade and other receivables	(4,753.68)	1,085.38
Inventories	(1,821.99)	(1,305.86)
Trade Payables	1,325.76	93.08
	(5,249.91)	(127.40)
CASH GENERATED FROM OPERATIONS	(2,325.86)	3,535.55
Tax Payments	(352.13)	(204.34)
NET CASH FLOW FROM OPERATING ACTIVITIES	(2,677.99)	3,331.21
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(267.44)	(2,512.21)
Inter Corporate Deposits and Loans (Including Interest) (Net)	2,554.65	(401.60)
Dividend from Current Investments	0.82	-
Investment (Net)	500.00	(500.00)
Sale of Fixed Assets	140.97	17.71
NET CASH FLOW FROM INVESTING ACTIVITIES	2,929.00	(3,396.10)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Interest paid	(2,085.61)	(2,187.31)
Borrowings (Net of repayments)	1,068.94	2,640.51
Dividend paid	(281.30)	(93.77)
Share Issue Expenses	(85.71)	-
NET CASH FLOW FROM FINANCING ACTIVITIES	(1,383.68)	359.43
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(1,132.67)	294.54
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR	1,470.89	1,176.35
Add: Cash and Cash Equivalents taken over on Scheme of Arrangement	154.67	-
	1,625.56	1,176.35
CASH AND CASH EQUIVALENTS AS AT YEAR END	492.89	1,470.89
Reconciliation of Cash and Cash Equivalents as at year end:-		
Cash and Cash Equivalents as per Schedule 10	3,432.09	2,107.55
Less: Balance in Fixed Deposit accounts kept as margin money with the bankers	(2,939.20)	(636.66)
	492.89	1,470.89

As per our attached report of even date

For Dalal & Shah
Firm Registration No.: 102021W
Chartered Accountants

S. Venkatesh
Partner
Membership No: 037942
Mumbai, 24th June, 2010

By Order of the Board

Yash Birla
Chairman

M. S. Arora
Managing Director

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010**

	(Rs.in Lacs)	
	as at 31.03.2010	as at 31.03.2009
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED:		
15,55,00,000 (5,00,00,000) Equity Shares of Rs. 10/- each	15,550.00	5,000.00
TOTAL	15,550.00	5,000.00
ISSUED AND SUBSCRIBED:		
5,37,42,859 (4,00,72,544) Equity Shares of Rs. 10/- each fully paid up	5,374.28	4,007.25
Note: I. Of the above Equity Shares-		
(a) 4,36,444 Equity Shares were allotted as fully paid up Bonus Share by capitalisation of Reserves and Share Premium Account.		
(b) 1,37,683 Equity Shares were issued and allotted to the Shareholders of erstwhile "The Indian Tool Manufacturers Limited" in terms of the Scheme of Amalgamation.		
(c) 48,019 Equity Shares were issued on part conversion of loans into Equity.		
(d) 1,57,745 Equity Shares were issued on part conversion of 13.5% Redeemable Convertible Debentures into Equity.		
(e) 50,552 Equity Shares were issued and allotted to Term Lenders as per Scheme of Rehabilitation sanctioned by BIFR on 8th January, 1996.		
(f) 1,72,974 Equity Shares were issued and allotted to Term Lenders as per Scheme of Rehabilitation sanctioned by BIFR on 8th January, 1996.		
(g) 1,15,93,207 Equity Shares were issued and allotted on Conversion of 15.5% C C P S at a premium of Rs. 11/- per share based on the pricing formula as laid down in the Scheme of Rehabilitation approved by BIFR on 8th January, 1996.		
(h) 1,36,70,315 Equity Shares issued and allotted to the Shareholders of erstwhile Tungabhadra Holdings Pvt.Ltd. in terms of the Scheme of Amalgamation (Refer Note 9)		
TOTAL	5,374.28	4,007.25
SCHEDULE 2		
RESERVES AND SURPLUS		
1. Share Premium Account		
As per last account	10,673.11	10,673.11
Less: Share Issue Expenses incurred during the year	85.71	-
	10,587.40	10,673.11
Add: Transferred on account of Amalgamation of Tungabhadra Holdings Pvt.Ltd. as per Scheme of Arrangement (Refer Note 9)	1,167.46	-
	11,754.86	10,673.11
2. General Reserve:		
As per last account	2,218.26	2,439.93
Add: Deferred Tax Asset	-	117.08
	2,218.26	2,557.01
Less: Foreign Currency Transaction Difference Account	-	338.75
	2,218.26	2,218.26
Less: Adjusted on account of demerger of Tools Division as per Scheme of Arrangement. (Refer Note 9)	2,218.26	-
Add: Transferred on account of amalgamation of Tungabhadra Holdings Pvt.Ltd. as per Scheme of Arrangement. (Refer Note 9)	1.60	-
Transferred from Profit and Loss account	89.69	-
	91.29	2,218.26
3. Surplus in Profit and Loss Account		
	1,257.46	5,638.40
TOTAL	13,103.61	18,529.77



	(Rs.in Lacs)	
	as at 31.03.2010	as at 31.03.2009
SCHEDULE 3		
SECURED LOANS		
1. Working Capital Loans from Banks	6,617.00	4,861.65
2. Term Loan from Foreign Institution	3,535.97	5,095.00
3. Term Loan from The Shamrao Vithal Co-op Bank Ltd.	45.02	-
4. Term Loan from Axis Bank Ltd.	241.42	-
TOTAL	10,439.41	9,956.65

Note:

- (i) Working Capital Loans from Banks are secured by hypothecation of inventories and or book debts and export incentives recoverable etc. and collaterally secured by way of first charge on the fixed assets.
- (ii) Term Loan from Foreign Institution is secured by
 - (a) First charge (hypothecation) of all movable assets, both present and future including Plant and Machinery purchased out of this Term Loan with a second charge of these assets to existing working capital bankers, and
 - (b) Second charge (hypothecation) on overall existing movable and immovable assets including Plant and Machinery.
- (iii) Term Loan from Shamrao Vithal Co-op Bank Ltd. is secured by an equitable mortgage of Land & Building and Hypothecation of Plant and Machinery, situated at village Isnapur, Medak Andhra Pradesh and Tarapur.
- (iv) Term Loan from Axis Bank Ltd. is secured by mortgage of property located at 2nd Floor, Bldg., No. 2, Vedant Commercial Complex, Vartak Nagar, Thane (W) Including all rent receivable from the said property.

SCHEDULE 4
UNSECURED LOANS

1. Fixed Deposit	1,209.92	601.92
2. The State Industrial and Investment Corporation of Maharashtra Ltd.	-	54.43
3. Due to bodies Corporate	112.00	413.64
4. Sales Tax Deferred Payment Loan	150.00	150.00
5. Interest accrued and due	-	156.33
TOTAL	1,471.92	1,376.32

SCHEDULE 5
VEHICLE LOANS

Loans secured against specific vehicles	31.67	17.25
TOTAL	31.67	17.25

SCHEDULE 6
FIXED ASSETS

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	COST/BOOK VALUE AS AT 01-04-2009	ADDITIONS / ADJUSTMENTS	DEDUCTIONS / ADJUSTMENTS	COST/BOOK VALUE AS AT 31-03-2010	UPTO 01-04-2009	FOR THE YEAR	DEDUCTIONS / ADJUSTMENTS	UPTO 31-03-2010	AS AT 31-03-2010	AS AT 31-03-2009
	Land - Freehold	1,374.67	455.82	6.07	1,824.42	-	-	-	-	1,824.42
- Leasehold	387.75	134.17	322.69	199.23	25.16	2.28	10.16	17.28	181.95	362.59
Buildings +	4,800.22	628.93	548.07	4,881.08	540.93	124.76	(2.51)	668.20	4,212.88	4,259.29
Plant and Machinery	3,762.71	2,284.66	1,141.95	4,905.42	1,286.26	353.37	(122.69)	1,762.32	3,143.10	2,476.45
Furniture, Fixtures & Equipments	434.19	40.80	52.84	422.15	70.71	25.91	(3.74)	100.36	321.79	363.48
Vehicles	274.67	42.29	90.28	226.68	110.56	19.72	58.70	71.58	155.10	164.11
TOTAL	11,034.21	3,586.67	2,161.90	12,458.98	2,033.62	526.04	(60.08)	2,619.74	9,839.24	9,000.59
PREVIOUS YEARS TOTAL	10,180.38	939.95	86.12	11,034.21	1,587.16	501.46	55.00	2,033.62	9,000.59	

+ Buildings include (a) Ownership Flats, Roads, Drains and Pipelines.

(b) Rs. 0.91 lac being the cost of two flats on 30 years lease for which the Society is yet to be formed.

Note : The Company has on 31st December 2004, revalued the major items of Fixed Assets on the basis of the valuation report obtained from the qualified Government Engineers & Valuers. This has resulted in increase in gross block by Rs. 5578.72 lacs.

Refer Note 9 for adjustment on account of Demerger and Amalgamation.



(Rs.in Lacs)

as at 31.03.2010	as at 31.03.2009
----------------------------	---------------------

SCHEDULE 7**INVESTMENTS: AT COST / BOOK VAULE****OTHER THAN TRADE INVESTMENTS****(A) LONG TERM****Quoted:**

- (a) 4,35,350 Fully paid Equity Shares of Rs.10/-each of

Birla Transasia Carpets Limited.

63.69

63.69

Less: Provision for diminution in value

63.69

63.69

Unquoted:

-

I. IN SHARES:

- (a) 1,000 Fully paid Shares (No par value) of Zenith (USA), Inc. New York, a wholly owned Subsidiary Company (Nominal value of Shares in US \$ 30,000)

2.28

2.28

- (b) 2 Fully paid Share of UAE Dirham 2.22 Million of Zenith Middle East FZE, a wholly owned Subsidiary of the Company, of which 1 Fully paid share of UAE Dirham 1.22 Million is pending for allotment.

257.31

257.31

- (c) 236 Fully paid Shares of US \$ 1,000 each of P.T. Horizon Syntex Indonesia, continue to be held in the name of erstwhile The Indian Tool Manufacturers Limited, and the same are still in process of being transferred in the name of the Company pending receipt of the necessary approval from Reserve Bank of India

19.31

19.31

Less: Provision for diminution in value

19.31

19.31

- (d) TIMA CETP Co-Op Society Ltd.

2000 fully paid Equity Share of Rs. 10/- each

0.20

-

- (e) The Shamrao Vithal Co-op Bank Ltd.

2000 fully paid share of Rs. 25/- each

0.50

-

- II.**
- National Savings Certificates (Deposited with Government and Semi-Government authorities)

0.30

0.30

(B) CURRENT - AT LOWER OF COST AND FAIR VALUE

In Mutual Fund (Non Government Securities) (unquoted) 2985021 Units of SBI Magnum Insta Cash Fund - Daily Dividend Option

-

500.00

TOTAL**260.59**

759.89

	<u>Book Value</u> Rs.in Lacs	<u>Market Value</u> Rs.in Lacs
a) Aggregate of Quoted Investments	-	93.35
Previous Year	-	(59.90)
b) Aggregate of Unquoted Investments	260.59	N.A
Previous Year	(759.89)	(N.A)



	(Rs.in Lacs)	
	as at 31.03.2010	as at 31.03.2009
SCHEDULE 8		
INVENTORIES		
1. Stores and Spare Parts	735.44	513.33
2. Raw Materials and Components	1,747.15	2,953.79
3. Raw Materials-in-process	1,178.79	832.71
4. Material in transit	509.19	1,331.84
5. Semi-finished Goods	2,659.62	2,987.01
6. Finished Goods	4,218.25	2,353.17
7. Scrap etc.	1,148.71	645.18
TOTAL	12,197.15	11,617.03
SCHEDULE 9		
SUNDRY DEBTORS-UNSECURED		
1. Outstanding over six months		
(a) Considered good	259.28	1,127.34
(b) Considered doubtful	150.00	48.96
Less: Provision	150.00	48.96
	-	-
2. Other Debts-Considered good	8,852.90	4,246.36
TOTAL	9,112.18	5,373.70
SCHEDULE 10		
CASH AND BANK BALANCES		
1. Cash on hand (including Cheques on hand Rs. 79.27 lacs) (Previous year Rs. 115.99 lacs)	85.72	123.84
2. Remittance-in-Transit	-	39.97
3. <u>Scheduled Banks</u>		
i) In Current Accounts	233.38	1,143.87
ii) In Fixed Deposits (Including Interest Accrued)	166.27	152.71
iii) In Fixed Deposits (margin money) pledged with Banks	2,939.20	636.66
4. <u>Non-Scheduled Banks</u>		
i) In Current Accounts - The Municipal Co-op Bank Limited Mumbai (Maximum balance due during the year Rs. 10.13 lacs Previous year Rs. 13.61 lacs)	7.15	10.13
ii) In Fixed Deposits - The Municipal Co-op Bank Limited Mumbai (Maximum balance due during the year Rs. 0.37 lacs Previous year Rs.0.37 lacs)	0.37	0.37
TOTAL	3,432.09	2,107.55

**(Rs.in Lacs)**

as at	as at
31.03.2010	31.03.2009

SCHEDULE 11**LOANS AND ADVANCES****Unsecured, Considered Good, unless otherwise specified**

1. Advances recoverable in cash or in kind or for value to be received Good (Refer Note 14)	17,390.86	19,344.83
Doubtful	160.48	211.90
Less: Provision	160.48	211.90
	-	-
2. Balance with Port Trust, Customs and Excise	1,474.25	617.84
3. Advance Tax	672.01	520.05
TOTAL	19,537.12	20,482.72

SCHEDULE 12**CURRENT LIABILITIES**

1. Sundry Creditors and Acceptances		
(a) Micro and Small Enterprises (Refer Note 8) (to the extent identified by the Management)	-	-
*(b) Other	21,080.62	15,488.27
(Includes Acceptances Rs. 10415.24 lacs (previous year Rs. 10386.62 lacs) and due to a subsidiary Rs. 119.73 lacs (previous year Rs. 386.49 lacs))		
2. Interest accrued but not due	38.91	67.89
TOTAL	21,119.53	15,556.16

* There are no amounts to be transferred to Investor Education and Protection Fund.

SCHEDULE 13**PROVISIONS**

1. Taxation	1,228.76	830.42
2. Fringe Benefit Tax	39.60	41.94
3. Employee Benefits	520.73	1,050.59
4. Contingencies (Refer Note 7)	491.39	491.39
5. Proposed Equity Dividend	2,162.00	240.44
6. Dividend Tax on Proposed Equity Dividend	359.08	40.86
TOTAL	4,801.56	2,695.64



SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	(Rs.in Lacs)	
	For the year ended 31st March,2010	For the year ended 31st March,2009
SCHEDULE 14		
OTHER INCOME		
1. Miscellaneous Income	175.08	104.21
2. Sales Tax Refunds / Set off etc.	84.97	3.64
3. Dividends from Current Investment	0.82	-
4. Surplus on Sale of Fixed Assets	133.10	0.05
5. Interest Received on Income Tax refund	80.31	-
6. Interest recoveries from parties (Gross) (Tax deducted at source Rs. 16.66 lacs, previous year Rs. 28.14 lacs)	1,366.64	1,108.44
7. Excess provision written back (Net)	62.51	14.36
8. Provision no longer required	156.32	7.46
9. Foreign exchange Gain\ (Loss) (Net)	409.60	-
TOTAL	2,469.35	1,238.16
SCHEDULE 15		
(INCREASE)/DECREASE IN STOCKS		
Closing Stocks :		
Finished Goods	4,218.25	2,353.17
Semi-Finished Goods	2,659.62	2,987.01
Scrap etc.	1,148.71	645.18
	8,026.58	5,985.36
Less:		
Opening Stocks :		
Finished Goods	2,353.17	2,724.86
Semi-Finished Goods	2,987.01	2,120.67
Scrap etc.	645.18	804.16
	5,985.36	5,649.69
Less: Transferred on Demerger	1,340.50	-
Add: Taken over on Amalgamation :	1,462.80	-
	6107.66	5649.69
	1,918.92	335.67
Variation in excise duty on closing and opening stock of Finished Goods	(28.36)	164.89
TOTAL	(1,890.56)	(500.56)



(Rs.in Lacs)

	For the year ended 31st March,2010	For the year ended 31st March,2009
SCHEDULE 16		
MANUFACTURING AND MAINTENANCE		
1. Stores and Spare Parts consumed	847.20	881.35
2. Power, Fuel and Water	1,076.80	756.77
3. Repairs to: (Excludes Stores and Spares issued)		
(a) Buildings	26.15	54.53
(b) Machinery	45.23	120.88
(c) Others	30.85	30.46
4. Conversion, Octroi and other manufacturing expenses	590.08	1,059.46
TOTAL	2,616.31	2,903.45
SCHEDULE 17		
EMPLOYEES' REMUNERATION AND BENEFITS		
1. Salaries, Wages and Bonus, etc.	1,324.08	2,243.71
2. Contribution to Provident and Other Funds	78.19	166.25
3. Welfare Expenses	113.07	217.72
TOTAL	1,515.34	2,627.68
SCHEDULE 18		
ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
1. Rent (Net)	37.41	108.17
2. Insurance	3.81	16.22
3. Rates and Taxes	20.60	23.68
4. Miscellaneous Expenses	754.42	1,027.01
5. Freight, Forwarding and Handling Expenses etc.	2,045.93	2,469.82
6. Commission	517.60	309.26
7. Directors' Fees and Travelling Expenses	6.12	5.11
8. Auditors' Remuneration:		
(a) Statutory Auditors:		
(1) As Auditors Fees (excluding service tax)	8.00	5.00
(2) Certificate and Other Matters	3.94	2.25
(3) Expenses	0.28	0.21
(b) Cost Audit Fees	0.50	0.50
9. Loss on Fixed Assets sold/discarded	1.64	13.46
10. Loss on sale of Raw Material and Stores (Net)	8.18	6.63
11. Bad debts,irrecoverable advances and claims written off	25.97	55.61
12. Provision for Doubtful Debts and Advances	150.00	-
13. Foreign Exchange rate difference (Net)	-	144.21
14. Cash Discount	29.57	28.52
TOTAL	3,613.97	4,215.66
SCHEDULE 19		
INTEREST AND FINANCE EXPENSES		
1. On Fixed Loans	165.62	238.29
2. To Banks and Others	1,734.68	1,941.67
TOTAL	1,900.30	2,179.96



SCHEDULE 20

NOTES FORMING PART OF THE ACCOUNTS

(Rs. In Lacs)

March 31, 2010 March 31, 2009

1. Contingent Liabilities not provided for in respect of :-

a) Disputed Sales Tax Demands	-	12.49
2. Estimated amount of contracts remaining to be executed on capital account - Net of Advance	2099.69	2423.79
3. The charge by way of hypothecation of inventories in favour of Bankers also extends to the guarantees aggregating to Rs. 31 lacs (previous year Rs. 1743.53 lacs) given by the Bank on behalf of the Company.		

4. LICENSED AND INSTALLED CAPACITY, PRODUCTION, STOCKS AND TURNOVER.

A. LICENSED AND INSTALLED CAPACITY AND PRODUCTION :

Class of Goods	Qty.	Installed Capacity (Per Annum) (*)		Production	
		31.03.2010	31.03.2009	2009-2010	2008-2009
Steel Pipes	Tonnes	210000	120000	@ 115949	@ 68109
Drills	Nos.	-	19067000	-	10414362
Reamers	Nos.	-	175600	-	69172
Cutters	Nos.	-	126400	-	49617
Taps	Nos.	-	706400	-	451024
Tool Bits (on two shift basis)	Nos.	-	422300	-	44188
Hacksaw Blades	Nos.	-	-	-	238,558

(*) As Certified by the Technical Personnel and being technical matter, accepted as correct by Auditors.

@ Includes Nil of Steel Pipes Rolled outside (Previous year 9234 MTs) and excludes Nil (Previous year 17,836 MT) of semi finished Steel Pipes purchased and processed as finished goods.

B. STOCKS AND TURNOVER

(i) OPENING STOCK

Class of Goods	01.04.2009		01.04.2008	
	Qty. (MT)	(Rs.in lacs)	Qty. (MT)	(Rs.in lacs)
Steel Pipes	4008	1,440.03	5037	2,095.21
Industrial Tools and Knives	2	10.50	2	11.10
	Nos.		Nos.	
Drills (*)	1111313	527.54	1452344	452.49
Reamers (*)	16113	44.79	15001	9.85
Cutters (*)	19040	63.09	12053	7.93
Taps (*)	151831	171.09	153730	81.15
Tool Bits (on two shift basis) (*)	11739	14.63	10086	18.69
Hacksaw Blades (*)	76,268	14.48	-	-
Files (*)	177205	67.02	140861	48.44
		2,353.17		2,724.86
(*) Transferred on Demerger		902.64		-
		1,450.53		2,724.86
Taken over on Amalgamation :				
Steel Pipes	2957	1,462.80		-
TOTAL :		2,913.33		2,724.86



(ii) CLOSING STOCK

Class of Goods	31.03.2010		31.03.2009	
	Qty. (MT)	(Rs.in lacs)	Qty. (MT)	(Rs.in lacs)
Steel Pipes	12386	4,207.55	4008	1,440.03
Industrial Tools and Knives	2	10.70	2	10.50
	Nos.		Nos.	
Drills	-	-	1111313	527.54
Reamers	-	-	16113	44.79
Cutters	-	-	19040	63.09
Taps	-	-	151831	171.09
Tool Bits (on two shift basis)	-	-	11739	14.63
Hacksaw Blades	-	-	76,268	14.48
Files	-	-	177205	67.02
TOTAL :		4,218.25		2,353.17

(iii) TURNOVER AND EXPORT INCENTIVES

Class of Goods	Units	2009-2010		2008-2009		Sundries (*)	
		Qty.	(Rs.in lacs)	Qty.	(Rs.in lacs)	2009-2010	2008-2009
Goods Manufactured :							
Steel Pipes	MT	110,527	44,270.14	86,974	43,556.55	1	-
Drills	Nos.	-	-	10,753,603	4,788.76	-	1,790
Reamers	Nos.	-	-	68,137	308.11	-	(77)
Cutters	Nos.	-	-	41,805	230.18	-	825
Taps	Nos.	-	-	452,925	923.02	-	(2)
Tool Bits (on two shift basis)	Nos.	-	-	42,515	119.72	-	20
Hacksaw Blades	Nos.	-	-	162,290	69.11	-	-
Files	Nos.	-	-	304,176	254.42	-	-
Goods traded in :							
Hot Rolled Steel			3,868.77		8,810.40		
TOTAL :			48,138.91		59,060.27		
Internal Consumption			0.42		2.93		
Sale of Scrap			1,171.56		1,003.93		
Export Incentives			1,081.91		2,698.71		
TOTAL :			50,392.80		62,765.84		

(*) Sundries include captive consumption and internal consumption as raw materials, free samples, burning losses, and physical excesses/shortages.

5. (a) Materials (including components) consumed

	2009-2010		2008-2009	
	Qty. (MT)	Value (Rs.in lacs)	Qty. (MT)	Value (Rs.in lacs)
Hot Rolled Steel	110769	33,898.02	63625	23,175.55
Zinc and Zinc Alloy	2463	2,319.44	1901	1,747.23
Semi-Finished Goods	-	-	20,630	9,113.60
Steel	-	-	891	2,741.95
Others	-	198.09	-	129.06
TOTAL :		36,415.55		36,907.39



(b) Goods Traded in - Purchases :

	2009-2010	2008-2009
	Value (Rs.in lacs)	Value (Rs.in lacs)
Drills and Files	-	201.35
Hot Rolled Steel	3,791.79	8,420.71
TOTAL:	3,791.79	8,622.06

(c) IMPORTED AND INDIGENOUS CONSUMPTION

	2009-2010		2008-2009	
	(Rs.in lacs)	%	(Rs.in lacs)	%
(i) Raw material (including components)				
Imported	8,984.45	24.67	3,827.92	10.37
Indigenous	27,431.10	75.33	33,079.47	89.63
TOTAL :	36,415.55	100.00	36,907.39	100.00
(ii) Spares				
Imported	11.99	6.85	17.71	3.00
Indigenous	163.02	93.15	571.65	97.00
TOTAL :	175.01	100.00	589.36	100.00

6. C.I.F. value of Imports, Expenditure and Earnings in Foreign Currency :

	Year ended 31-03-2010 (Rs.in lacs)	Year ended 31-03-2009 (Rs.in lacs)
(a) C.I.F. value of Imports :		
(i) Raw Material (including Canalised items)	6,969.55	5,251.39
(ii) Spare parts	4.82	277.86
	6,974.37	5,529.25
(b) Expenditure in Foreign Currency :		
(i) Commission	227.51	251.03
(ii) Interest and Bank Charges	250.55	350.62
(iii) Other matters	31.35	31.26
	509.41	632.91
(c) Earnings in Foreign Currency :		
F.O.B. value of exports	19,822.03	25,166.99

- The outflow of the resources in respect of pending disputed matters in respect of Sales Tax and Excise Duty would depend on the ultimate outcome of the disputes lying before various authorities amounting to Rs. 491.39 lacs (previous year Rs. 491.39 lacs). The Company has taken legal and other steps necessary to protect its position in respect of these claims.
- There are no Micro and Small enterprises to whom the Company owes amounts which are outstanding as at 31st March 2010. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 (MSME) has been determined on the basis of and to the extent information is available with the Company. No interest is paid / payable during the year to any enterprise registered under the MSME.
- Scheme of Arrangement between Birla Precision Technologies Limited (BPTL) and Tungabhadra Holdings Private Limited (THPL) with Zenith Birla (India) Limited ("the Company").

In accordance with the Scheme of Arrangement (the Scheme) between the Company with BPTL and THPL as approved by the members, at a court convened meeting held on May 29, 2009, the Honorable High Court of Judicature at Mumbai, vide its Order dated, January 8, 2010, sanctioned the following:



- (a) (i) The Tool Division of the Company, being all its assets and properties, both movable and immovable, industrial and other licenses, trademarks, all other interests, rights and powers of every kind, etc., and all its debts, liabilities, duties and obligations, has been transferred to and vested in BPTL retrospectively with effect from April 01, 2008 (the appointed date). The Scheme has accordingly been given effect to in these accounts.
- (ii) On account of the said demerger the Company has transferred all the assets and liabilities of the Tool Division to BPTL at their book values as at April 01, 2008. As stipulated in the scheme of Arrangement, difference arising out of this transfer has been adjusted in the following manner:
- (a) First against General Reserve Account
- (b) Then against Profit and Loss Account
- (c) The balance if any, to be debited to the Goodwill Account.

Accordingly, the arrangement has resulted in transfer of assets, liabilities and reserves in accordance with the terms of the scheme at the following values:

Particulars	(Rs in Lacs)	
	Amount	Amount
Fixed Assets (Net)		1379.74
Capital Work in Progress		31.50
Current Assets, Loans and Advances	5304.08	
Less: Current Liabilities and Provisions	<u>2283.47</u>	
		<u>3020.61</u>
Total Assets		4431.85
Less:		
Secured Loans		<u>145.04</u>
Net Assets Transferred		4286.81

Net Assets Transferred is adjusted as follows:

- | | (Rs. in Lacs) |
|---|-----------------|
| (a) From General Reserve | Rs. 2218.26 |
| (b) From balance in Profit and Loss Account | Rs. 2068.55 |
- (iii) The income accruing and expenses incurred for the Tool division of the Company, for the period from April 01, 2008 to March 31, 2009 resulting in a Net Surplus of Rs. 375.57 lacs, has been transferred to BPTL. During the period between the appointed date and the effective date (i.e. January 8, 2010), as the Company carried on the existing business in "trust" on behalf of the BPTL, all vouchers, documents, etc, for the period are in the name of the Company. The title deeds for leasehold land, building, residential flats, licenses, agreements, loan documents, etc., are in the process of being transferred in the name of the BPTL.
- (iv) Information of cash flows in respect of Discontinued Operations:

	(Rs. in lacs)	
	2009 - 10	2008 - 09
Cash Flow from Operating Activity	-	(165.77)
Cash Flow from Investing Activity	-	(619.57)
Cash Flow from Financing Activity	-	829.99

- (b) (i) The undertakings of THPL being all its assets and properties, both movable and immovable, industrial and other licenses, trademarks, all other interests, rights and powers of every kind, etc., and all its debts, liabilities, duties and obligations, has been transferred to and vested in the Company retrospectively with effect from April 01, 2008 (the appointed date). The Scheme has accordingly been given effect to in these accounts.

The operations of THPL include manufacturing and trading in Steel Pipes.



- (ii) The amalgamation of THPL with the Company has been accounted for under the “Pooling of interests” method as prescribed by Accounting Standard (AS-14) under Companies Accounting Standard Rules, 2006. Accordingly, the assets, liabilities and reserves of THPL have been taken over at their book values as at April 01, 2008. As stipulated in the scheme, all reserves of THPL have been transferred to respective reserves of the Company.

Accordingly, the amalgamation has resulted in transfer of assets, liabilities and reserves in accordance with the terms of the scheme at the following summarized values:

Particulars	(Rs. in Lacs)	
	Amount	Amount
Fixed Assets (Net)		2117.56
Capital Work in Progress		745.95
Investments		0.70
Current Assets, Loans and Advances	4073.62	
Less: Current Liabilities and Provisions	3121.97	
		951.65
Total Assets		3815.86
Less:		
Secured and Unsecured Loans		1774.48
Net Assets Transferred		2041.38
Transfer of Share Premium Account of THPL to Share Premium Account	1167.46	
Transfer of General Reserve of THPL to General Reserve	1.60	1169.06
Consideration for Amalgamation - Issue of 1,36,70,315 Equity Shares to Shareholders of THPL in the ratio of 19 Equity shares of Rs. 10 each of the Company for every 7 Equity Shares of Rs. 10 each of THPL		1367.03
Balance adjusted to Balance in Profit and Loss Account		(494.71)

- (iii) In terms of the scheme, the Equity Shares allotted as above rank for dividend, voting rights and in all other respects, pari-passu with the existing Equity Shares of the Company.
- (iv) The income accruing and expenses incurred by THPL during the period from April 01, 2008 to March 31, 2009 resulting in a Net Deficit of Rs.27.20 lacs, has also been incorporated in these accounts. During the period between the appointed date and the effective date (i.e. January 8, 2010), as THPL carried on the existing business in “trust” on behalf of the Company, vouchers, documents, etc, for the period are in the name of THPL. The title deeds for leasehold land, building, residential flats, licenses, agreements, loan documents, etc., are in the process of being transferred in the name of the Company. Stamp duty and other levies out of the Scheme of Arrangement, if any, shall be accounted on determination and completion of transfer formalities.

10. Managerial remuneration:

- (a) Computation of Net Profits

	(Rs.in Lacs)
	2009-10
Profit before Tax as per Profit and Loss Account	1996.63
Add: Managing Director's remuneration	152.52
	<u>2149.15</u>
Less: Surplus on sale of Assets	133.10
Profit on which commission is payable	<u>2016.05</u>
As per Agreement 3% on Profits of the Company	<u>60.48</u>



- (b) Profit and Loss Account includes payments and pensions on account of Managerial Remuneration for Managing Director as under:

(Rs.in Lacs)

Particulars	2009-2010	2008-2009
Salary	73.14	32.35
Commission	60.48	-
Contribution to Provident Fund	3.82	1.15
Medical Assistance	0.18	0.15
Leave Travel Assistance	5.12	2.09
Gratuity (Provision)	2.42	0.92
Other Perquisites	7.36	0.15
Total	152.52	36.81

- (c) The remuneration as approved by the Remuneration Committee / Board / Shareholders paid/provided to the Managing Director during the year has been considered as the minimum remuneration, resulting in excess of such remuneration over maximum remuneration stipulated under Schedule XIII of the Companies Act, 1956 amounting to Rs. 99.49 lacs due to inadequacy of profits during the year. The Company has filed an application with the Central Government in this regard.

11. Disclosure pursuant to Accounting Standard AS-15 "Employee Benefits"

A. Defined Contribution Plans:

The Company has recognized the following amounts in the Profit and Loss Account for the year:

(Rs.in Lacs)

	2009-2010	2008-2009
Contribution to Employees Provident Fund and Other Funds	78.19	166.25
Total	78.19	166.25

B. Defined Benefit Plans:

Contribution to Gratuity:

Provision for Gratuity has been made in the accounts based on an actuarial valuation carried out at the close of the year. The Company does not have any funding arrangement and the liability is discharged to the employees in the year of retirement / cessation of employment.

Details under AS-15, to the extent applicable is furnished below:

(Rs. in Lacs)

	2009-10	2008-09
Changes in the Present Value of the Defined Benefits Obligation		
Present value of Defined Benefit Obligation at the beginning of the year	446.47	807.94
Interest Cost	33.49	65.12
Current Service cost	22.20	37.27
Benefits paid	(62.16)	(92.80)
Actuarial (Gain)/Loss	(0.24)	27.73
Present Value of Defined Benefit Obligation at the end of the year.	439.76	845.26
Balance Sheet Reconciliation		
Net Liability at the beginning of the year	384.31	715.14
Expense recognized	55.45	130.12
Net Liability at the end of the year.	439.76	845.26



	(Rs. in Lacs)	
	2009-10	2008-09
Amounts recognized in the Profit and Loss account		
Current Service Cost	22.20	37.27
Interest Cost	33.49	65.12
Net Actuarial (Gain)/Loss	(0.24)	27.73
Expenses Recognised in the Statement of Profit and Loss account	55.45	130.12
Actuarial Assumption		
Discount rate	8.25%	8.25%
The estimate of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion, and other relevant factors such as supply and demand factors in the employment market.	6%	4%

Note: The figures for 2009 – 10 include obligation of THPL employees and excludes obligation of Tools division employees.

12. Related Party Disclosures:

a) Related subsidiaries, fellow subsidiaries, Companies/Firms, Key Management Personnel:

(Rs. in Lacs)

	Net Balance of Receivable, Payable, Deposits, Loans etc.	Balance Carried to Balance Sheet (Net) as at 31-03-2010		Balance Carried to Balance Sheet (Net) as at 31-03-2009	
		Receivable	Payable	Receivable	Payable
i) Subsidiary	a) Zenith (USA) Inc.(Wholly owned) b) Zenith Middle East FZE (Wholly owned)	-	119.73	-	386.49
		833.68	-	321.71	-
ii) Key Management Personnel	Shri Yash Birla -Chairman Shri M.S. Arora -Managing Director				
iii) Enterprises Owned or significantly influenced by key management personnel or their relatives.	1. Dagger Forst Tools Ltd. 2. Birla Precision Technologies Ltd. 3. Birla Power Solutions Ltd. 4. Birla AccuCast Ltd. 5. Birla Global Corporate Pvt.Ltd. 6. Birla Bombay Pvt.Ltd. 7. Birla Cotsyn (India) Ltd. 8. Godavari Corporation Pvt.Ltd. 9. Shearson Investment & Trading Co. Pvt. Ltd. 10. Birla Viking Travels Pvt.Ltd. 11. Birla Shloka Edutech Ltd. 12. Birla International Pvt.Ltd. - Deposit - Other 13. Nirved Traders Pvt.Ltd. 14. Birla Infrastructure Pvt.Ltd. 15. Mounthill Investment Pvt.Ltd. 16. Sonakshi Consultant Pvt.Ltd. 17. Asian Distributors Pvt. Ltd. 18. Melstar Information Technologies Ltd. 19. Yash Society	--- --- 2175.01 919.60 --- --- 248.53 1057.10 349.03 --- --- 169.31 505.35 575.45 1187.80 --- 25.58 --- 2.56 156.63	10.55 47.46 --- --- 9.59 18.59 --- --- --- --- 48.45 --- --- --- 2.09 --- 4.43 --- ---	--- 2.63 2580.34 718.26 63.16 --- --- 287.12 101.77 --- --- 169.31 704.02 --- 894.66 554.35 548.46 --- --- ---	15.46 --- --- --- --- 43.03 1.47 --- --- 0.43 48.45 --- --- 0.81 --- --- 4.43 --- ---

**(b) Transactions with related parties****(Rs. in Lacs)**

	Subsidiaries		Key Management Personnel		Enterprise owned and significantly influenced by Key Management personnel or their relatives	
	31-03-2010	31-03-2009	31-03-2010	31-03-2009	31-03-2010	31-03-2009
Sale of Goods	4906.00	5618.12	---	---	59.09	1880.26
Purchase of Goods	---	---	---	---	2.59	440.42
Purchase of Electric Power	---	---	---	---	---	28.55
Commission paid	153.52	113.79	---	---	---	---
Travel Agency	---	---	---	---	13.47	13.85
Service charges	---	---	---	---	216.00	226.20
Rent Paid	---	---	---	---	48.00	7.93
Inter Corporate Deposit - Paid	---	---	---	---	1774.49	964.57
Interest received	---	---	---	---	547.87	441.58
Inter Corporate Deposit – Recd.	---	---	---	---	1229.38	---
Other	---	---	---	---	5.64	0.87
Remuneration	---	---	152.52	36.81	---	---

Note: Related Party relationship is as identified by the Company based on available information and relied upon by the auditors.

(c) Discloser in respect of material transactions with related parties during the year included in (b) above.**(Rs.in Lacs)**

	2009-10	2008-09
1 Sale of Goods		
Zenith (USA) Inc.	4,594.78	5,364.88
2 Commission paid		
Zenith (USA) Inc.	153.52	113.79
3 Service charges		
Birla Global Corporate Pvt.Ltd.	216.00	226.20
4 Inter Corporate Deposit - paid		
Godavari Corporation Pvt.Ltd.	603.54	-
Birla Cotsyn (India) Ltd.	250.00	-
Nirved Trader Pvt.Ltd.	573.59	-
Shearson Investment & Trading Co. Pvt. Ltd.	222.36	100.00
5 Inter Corporate Deposit - Received		
Mounthill Investment Pvt.Ltd.	577.47	-
Sonakshi Consultant Pvt.Ltd.	546.91	-
6 Interest Received		
Birla Power Solutions Ltd.	210.89	204.26
Godavari Corporation Pvt.Ltd.	100.84	-
Birla AccuCast Ltd.	83.71	82.83



13. The major components of Deferred Tax Assets / (Liability) are set out below:

(Rs.in Lacs)

Particulars	As at 31 st March 2009	Charge/(Credit) during the year	As at 31 st March 2010
Deferred Tax liability on Account of			
Depreciation	* 255.31	376.34	631.65
Total	255.31	376.34	631.65
Deferred Tax Assets on Account of			
Provision for Gratuity	-	146.16	146.16
Provision for Leave Encashment	-	25.58	25.58
Total	-	171.74	171.74
Net Deferred Tax Liability	* 255.31	204.60	459.91

* includes Rs. 96.61 lacs being adjustment on account of Amalgamation of THPL (Refer Note 9)

14. (i) Advances recoverable in cash or in kind or for value to be received includes:
- Rs. 2148.85 lacs (previous year Rs Nil) for which the Company has entered into deeds of assignment for transfer of debts outstanding and receivable by the Company, to the purchaser of the debts.
 - Rs.9173.23 lacs (previous year Rs 10361.24 lacs) on account of Inter Corporate and Other loans and advances.
- (ii) In the opinion of the Board, Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.
15. During the year 2006-07 the Company made a Follow on Public Issue and consequently raised an amount of Rs. 120.95 Crore.

The net proceeds of the issue have been utilized for the object of the issue as detailed below:

(Rs. in Crore)

Particulars	Amount
Projected Amount	131.00
Amount Spent till 31 st March, 2010	50.64
Balance amount to be spent	80.36

Pending full utilization, the balance amount is held in Current/Fixed deposit /loan accounts.

16. Disclosures in respect of Derivatives Instruments:

- Derivative Instruments Outstanding as on 31st March, 2010 Rs. Nil
- Foreign Currency Exposure that are not hedged by forward contracts as at 31st March, 2010.

	Amount (USD) 2009-10	Amount (USD) 2008-09	Amount (EURO) 2009-10	Amount (EURO) 2008-09
1. Term Loan	78,33,333	1,00,00,000	-	-
2. Creditors	80,13,932	61,91,512	59,41,112	31,772
3. Debtors	33,17,807	7,11,719	6,60,899	47,880
4. Other Payable	15,36,136	9,72,523	9,72,523	-
5. Other Receivable	15,00,000	-	-	-

**17. Computation for Earning Per Share****(Rs. In Lacs)**

	2009-10	2008-09
Profit for the Year	1177.01	1,546.26
Expenses in respect of earlier years	-	(0.48)
Excess/(Short) Provision of Current Tax for Prior Period	18.85	(8.30)
	1,195.86	1,537.48
Profit before adjustments on account of demerger and amalgamation		
Weighted average No. of Equity Share	53,742,859	40,072,544
Earning per share excluding demerger and amalgamation adjustment	2.23	3.84

18. The Company has recognised exchange differences arising on long term foreign currency monetary items in line with para 46 of Accounting Standard 11, inserted vide notification No. 43R 22E dated 31st March, 2009 as per Companies (Accounting Standard) Amendment Rules, 2009.

Pursuant to the above, effect of exchange difference on long term foreign currency monetary items, so far as they relate to acquisition of depreciable capital assets, have been adjusted to the cost of such assets and depreciated over their remaining useful lives. Accordingly, net exchange gain relating to the financial year 2009-10 amounting to Rs. 500.07 lacs, has been adjusted to the cost of fixed assets.

There are no long term foreign currency monetary items which require exchange differences to be amortised.

19. In accordance with Accounting Standard – 17 “Segment Reporting”, segment information has been given in the consolidated financial statement of the Company and therefore, no separate disclosure on segment information is given in these financial statement.
20. A. Subsequent to adoption of the Financial Statements by the Board of Directors on 31st May, 2010, the Board has, on 24th June, 2010, decided to recommend dividend for the year 2009-10, resulting in a consequent revision of the Financial Statements to the extent such recommendation of dividend, would have an effect on the ‘Reserves and Surplus’ and ‘Provisions’, for the year ended 31st March, 2010.
- B. The Board of Directors have recommended final dividend of Rs. 2/- per share including on 5,43,57,060 Equity Shares represented by 18,11,902 Global Depository Receipts allotted on 28th May, 2010, subject to the approval of the members of the Company at the ensuing Annual General Meeting. This includes Rs. 1.40 per share, as special dividend, for commemorating the Company’s Golden Jubilee year.
21. Previous year figures have been re grouped /recast, wherever necessary. In view of the demerger of the Tools division and amalgamation of THPL the figures of current year are not comparable with corresponding figures of previous year.
22. Significant Accounting Policies followed by the Company are stated in the Annexure “A” appended to the Schedule.

As per our attached report of even dateFor **Dalal & Shah**

Firm Registration No.: 102021W

Chartered Accountants

S. Venkatesh

Partner

Membership No: 037942

Mumbai, 24th June, 2010

By Order of the Board**Yash Birla**

Chairman

M. S. Arora

Managing Director



Annexure “A” referred to in Note No.22 in Schedule 20 to the Accounts for the year ended 31st March 2010.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The Financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles, the applicable mandatory Accounting Standards and the relevant provisions of the Companies Act 1956.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognised in the period in which the results are known.

3. Fixed Assets:

(a) Gross Block:

All Fixed Assets are stated at cost less accumulated depreciation except free hold land. However, Fixed Assets, which are revalued by the Company, are stated at their revalued book values.

(b) Depreciation/Amortisation:

- i) The Company provides depreciation on the Straight Line Method over the useful life of assets or at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.
- ii) Cost of leasehold land is amortised over the period of lease.

4. Borrowing cost:

Interest and other borrowing costs attributable to acquisition of qualifying assets are capitalized. Other interest and borrowing costs are charged to revenue.

5. Investments:

Investments are stated at cost of acquisition or at book value in case of diminution in value. Current investments are stated at lower of cost and fair value.

6. Inventories:

- a) Raw Material, Raw Material in Process, Semi-Finished Goods, Finished Goods, Goods for Trade and Stores, Spares etc. are valued at cost or net realisable value, whichever is lower.
- b) Goods in Transit are valued at cost to date.
- c) Industrial scrap is valued at estimated realisable value.
- d) ‘Cost’ comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to their present location and condition. Cost formulae used is weighted average cost.
- e) Due allowances are made for obsolete inventory based on technical estimates made by the Company.

7. Recognition of Income and Expenditure:

- i) Revenues/incomes and cost/expenditure are generally accounted on accrual basis as they are earned or incurred except in case of significant uncertainties.
- ii) Sale of goods is recognised on transfer of significant risks and rewards of ownership which is generally on the dispatch of goods. Export sales are accounted for on the basis of the dates of ‘On Board Bill of Lading ‘.
- iii) Export Benefits are recognised in the year of export.

8. Research and Development Expenditure:

Expenditure on Research and Development is charged to revenue through the natural heads of expenses in the year in which it is incurred. Such expenditure is charged to Capital if it results in the creation of capital assets.

9. Employee Benefits:

- A. Short Term Employee Benefits are recognized as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the related service is rendered.

**B. Retirement Benefits:**

- (a) Retirement benefits in the form of Provident Fund/ Family Pension Fund and Superannuation Fund, which are Defined Contribution Plans, are accounted on accrual basis and charged to the profit and loss account of the year.
- (b) Retirement benefits in the form of Gratuity, which is Defined Benefit Plan and the long term employee benefit in the form of Leave Encashment are determined and accrued on the basis of an independent actuarial valuation applying the Projected Unit Credit Method.
- (c) Actuarial gains/losses arising during the year are recognized in the Profit and Loss Account of the year.

10. Foreign Currency Transactions:

Foreign Currency transactions are recorded at the rates of exchange prevailing on the date of transaction. Monetary foreign currency assets and liabilities outstanding at the close of financial year are revalued at the exchange rates prevailing on the balance sheet date. Exchange differences arising on account of fluctuation in the rate of exchange is recognized in the Profit and Loss Account, except to the extent it relates to long term monetary items for acquisition of depreciable capital assets, which is adjusted to the acquisition cost of such assets and depreciated over remaining useful life.

11. Expenses on New Projects:

Expenses incurred on new projects are carried in the Accounts under the head Loans and Advances, until such expenses are written off or charged to revenue in the year in which decision is taken to abandon the project.

12. Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised on timing differences between taxable and accounting income that originates in one period and are capable of reversal in one or more subsequent period(s). Deferred Tax Assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws are recognised if and only if there is a virtual certainty backed by convincing evidence of its realisation. Deferred tax assets on account of other timing differences are recognised on the basis of reasonable certainty about its realisation. At each Balance Sheet date the carrying amount of deferred tax assets are reviewed to reassure realization.

13. Impairment of Assets:

The carrying amount of assets, other than inventories is reviewed at each balance sheet date to assess whether there is any indication of impairment in respect of such assets or group of assets (cash generating unit). If such indication exists, the recoverable amount of such asset or group of assets is estimated. If such recoverable amount of the assets or the group of assets is less than its carrying amount, an impairment loss is reckoned by reducing the carrying amount to its recoverable amount. If there is an indication at the balance sheet date that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount, subject to a maximum of depreciable historical cost.

14. Provisions, Contingent Liabilities and Contingent Assets:

The Company recognizes a provision when there is a present obligation as a result of a past event on which it is probable that there will be outflow of resources to settle the obligation in respect of which reliable estimates can be made. Contingent liabilities are disclosed by way of note to the Financial Statement after careful evaluation by the management of the facts and legal aspects of the matter involved. Contingent Assets are neither recognized nor disclosed.



Part - IV of Schedule - VI to the Companies Act, 1956. Balance Sheet Abstract and Company's General Business Profile.

I. Registration Details

Registration No. State Code Balance Sheet Date
Date Month Year

II. Capital Raised during the year (Rs. in Thousand)

Public Issue Right Issue Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of funds (Rs. in Thousand)

Total Liabilities	Total Assets				
<input type="text" value="30,88,080"/>	<input type="text" value="30,88,080"/>				
Sources of Funds :					
Paid-up Capital (*)	Reserves & Surplus	Net Deferred Tax Liability	Secured Loans	Unsecured Loans	Vehicle Loans
<input type="text" value="5,37,428"/>	<input type="text" value="13,10,361"/>	<input type="text" value="45,991"/>	<input type="text" value="10,43,941"/>	<input type="text" value="1,47,192"/>	<input type="text" value="3,167"/>

(*) Refer Note 9

Application of Funds :

Net Fixed Assets	Investments	Net Current Assets
<input type="text" value="12,26,276"/>	<input type="text" value="26,059"/>	<input type="text" value="18,35,745"/>

IV. Performance of Company (Rs. in Thousand)

Turnover (Total Income)	Total Expenditure	Profit/Loss Before Tax	Profit/Loss After Tax
<input type="text" value="50,48,537"/>	<input type="text" value="48,48,874"/>	<input type="text" value="+"/> <input type="text" value="1,99,663"/>	<input type="text" value="+"/> <input type="text" value="1,19,586"/>
Earning per Shares	Dividend Rate %		
<input type="text" value="Basic Rs. 2.23"/>	<input type="text" value="20"/>		

V. Generic Names of Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)	Product Description
<input type="text" value="7306"/>	<input type="text" value="STEELPIPES"/>



**STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212 OF
THE COMPANY ACT, 1956**

Name of the Subsidiary	Period of the Subsidiary Company	No. of Equity Shares	Percentage of Holding	The Net aggregate amount of Subsidiary's Profit/Losses so far as it concerns the members of the Holding Company not dealt with in the Holding Company's Accounts		The Net aggregate amount of the Profit/Losses of Subsidiary which has been dealt with in the account of the Holding Company	
				For the Current Period	For Previous Period since it became Subsidiary	For the Current Period	For Previous Periods since it became Subsidiary
Zenith (USA) Inc.	1st January 2009 to 31st December 2009.	1000 Shares (No par value - Nominal value US\$ 30000)	100%	US\$ (89,744)	US\$ (85,377)	N.A.	N.A.
Zenith Middle East FZE	1st April, 2009 to 31st March, 2010.	2 Share of UAE Dirhams 2.22 Million	100%	UAE Dhs. (91,871)	UAE Dhs. (3,22,163)	N.A.	N.A.

By Order of the Board

Yash Birla
Chairman

M. S. Arora
Managing Director

Mumbai, 24th June, 2010.



DIRECTORS' REPORT

Zenith (USA) Inc.
4950 34TH ST.North
Arlington, VA 22207
U.S.A

The Directors are pleased to present their Annual Report and the Audited Statements of Accounts for the fiscal year ended December 31, 2009. Net Loss for the year was US \$ 89,744.

On behalf of the Board

PUSHKAR NATU

20th May, 2010.

11654, Plaza America Drive # 707
Reston, VA 20190-4700
p 703, 707, 9878
f 703, 904, 8534
www.A2cpas.co

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheet of Zenith (USA) Inc. as of December 31, 2009, and the related statements of income, retained earnings & cash flow for the year then ended. These financial reports are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on my audit.

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

In our opinion, the financial reports referred to above present fairly, in all material respects, the financial position of Zenith (USA) Inc. as of December, 31, 2009 and results of its operations and its cash flows for the year ended in conformity with generally accepted accounting principles.

Darshan S. Khalsa
Certified Public Accountant

20th May, 2010.

**BALANCE SHEET AS AT 31ST DECEMBER, 2009.****STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2009.**

	(U.S.Dollar) 31/12/2009		(U.S.Dollar) 31/12/2009
ASSETS		REVENUE	
Current Assets		Sales (net of discounts)	74,01,509
Cash at Banks	48,331	Cost of Goods Sold	<u>73,93,934</u>
Accounts Receivables	29,26,909	Gross Profit	<u>7,575</u>
Loan & Advance	3,588	OPERATING EXPENSES	
Inventory	<u>-</u>	Bad Debts	74
Total Current Assets	29,78,828	Bank Service Charges	1,393
Fixed Assets		Business Promotion	17,093
Office Equipments	4,303	Depreciation	393
Less: Accumulated Depreciation	<u>4,303</u>	Discount	10,489
Total Fixed Assets	<u>-</u>	Insurance	2,144
TOTAL ASSETS	29,78,828	Memberships	1,950
		Miscellaneous Expenses	1,460
		Payroll Taxes	10,317
LIABILITIES AND		Payroll Taxes – Unemployment	91
STOCKHOLDERS EQUITY		Postage & Delivery	551
Current Liabilities		Printing & Stationery	108
Account Payable - Trade	31,13,449	Professional Services	11,151
State and FUTA Payroll Tax		Salary & Wages	1,45,000
Payable	711	Storage	518
S.Credit for Expenses	<u>9,789</u>	Survey Expenses	2,814
Total Current Liabilities	31,23,949	Taxes & Licenses	10,763
Stockholders Equity		Telephone	2,729
Common Stock – No par Value		Travel & Transportation	<u>12,027</u>
Authorized 1,000 Shares		Total Operating Expenses	2,31,065
Issued and outstanding		OPERATING PROFIT/(LOSS)	(2,23,490)
1,000 Shares	30,000	Commission Income	1,27,246
Retained Earnings	<u>(1,75,121)</u>	Writeback of Liabilities	6,500
Total Stockholders Equity	(1,45,121)	Total Other Items	1,33,746
TOTAL LIABILITIES AND		NET PROFIT/(LOSS)	(89,744)
STOCKHOLDERS EQUITY	29,78,828	Retained Earnings as per last Accounts	(85,377)
		Retained Earning as of	
		December 31, 2009	<u>(1,75,121)</u>



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Zenith (USA) Inc. was incorporated under the law of the state of Delaware. The Company is a general trader in steel pipes and other products. Generally, it imports steel pipes from India and sells them to various customers throughout the United States of America.

Method of Accounting

Zenith (USA) Inc. prepares its financial statements on the accrual basis of accounting.

Revenue and cost recognition

Revenues on contracts are recognized only after shipment of the product has taken place. Contract costs include all direct material, labor, equipment, subcontractor costs etc.

Property and Equipment

Property and equipment, including significant improvements thereto, are recorded at cost. Expenses for repairs and maintenance are charged to expenses as incurred. Depreciation is recorded using accelerated and straight line methods of depreciation over the estimated useful lives of the assets.

Accounts Receivable

Accounts receivable – Trade consists of contract billings outstanding on projects completed. All accounts are considered collectible; therefore no allowance for bad debts has been made.

Inventory

In 2007, management decided that all inventory would be disposed of. It was then able to make orders overseas and thus not maintain an inventory. This strategy has been successful and continued in 2009. Therefore, the value of the inventory at year end is Zero.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2009

	(U.S.Dollars)
Cash Flow from Operating Activities	31/12/2009
Net Profit / (Loss)	(89,744)
Depreciation and amortization	393
 Change in Operating Assets and Liabilities	
Increase in Account Receivable - Trade	(2,93,524)
Increase in Other Payable	1,129
Decrease in Loans & Advances	11,614
Increase in Accounts payable	3,63,562
Net cash provided by operating activities	(6,570)
Opening Cash Balance 1 st January, 2009	54,901
Closing Cash Balance 31 st December,2009	48,331

INDEPENDENT AUDITORS' REPORT

Ref : PH / AR / Z 3 / 944

The Shareholder
ZENITH MIDDLE EAST FZE
Dubai, United Arab Emirates

Report on the financial statements

We have audited the accompanying financial statements of **Zenith Middle East FZE** (the Establishment) which comprise the statement of financial position as at 31 March 2010, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the United Arab Emirates laws. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Establishment's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Establishment's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Emphasis of matter

Without qualifying our opinion, we draw attention to the following:

- a. As mentioned in Note 8 to the financial statements, pre-operating expenses have been recognized by the Establishment as intangible assets. In accordance with the requirements of the International Accounting Standards No. 38, start-up costs must be recognized as expense when incurred.
- b. No direct confirmation has been received by us for long outstanding advances to suppliers and due to related party as at 31 March 2010 amounting to AED 1.6 million and AED 3.6 million, respectively.

Opinion

In our opinion, except for the effects of the above, the financial statements present fairly, in all material respects, the financial position of **Zenith Middle East FZE** as at 31 March 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

We also confirm that, in our opinion, the financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the implementing regulations 1/92 pursuant to Law No.9



of 1992 concerning the formation of legal establishments at the Jebel Ali Free Zone. We further confirm that proper financial records have been kept by the Establishment and the contents of the Manager's report relating to these financial statements are in agreement with the Establishment's financial records. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the above mentioned law and implementing regulations have occurred during the year which would have had a material effect on the business of the Establishment or on its financial position.

For **PAUL & HASSAN**
Chartered Accountants

HASSAN ABDULLA SALEH AL YASI
Partner
Audit License Number: 374

21 May 2010
Dubai, United Arab Emirates

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2010

	Notes	31.03.2010 AED
ASSETS		
Noncurrent assets		
Property, plant and equipment	7	3,752
Intangible assets	8	1,426,065
Long-term receivables	9	26,000
		<u>1,455,817</u>
Current assets		
Prepaid expenses		24,192
Due from related parties	12	2,375,913
Sundry receivables	10	1,583,308
Cash and cash equivalents	11	131,380
		<u>4,114,793</u>
TOTAL ASSETS		<u>5,570,610</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	2	1,000,000
Share application money	13	1,216,670
Deficit		(414,034)
		<u>1,802,636</u>
Current liabilities		
Due to related party	12	3,603,729
Trade and other payables	14	164,245
		<u>3,767,974</u>
TOTAL EQUITY AND LIABILITIES		<u>5,570,610</u>

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010

	Notes	31.03.2010 AED
Sales		2,375,858
Cost of sales	15	2,364,031
Gross income		<u>11,827</u>
Other income - net	16	-
		<u>11,827</u>
Expenses		
Depreciation	7	992
General and administrative expenses	17	101,239
Bank charges		1,467
		<u>103,698</u>
Net loss		<u>(91,871)</u>
Other comprehensive income/(loss)		-
TOTAL COMPREHENSIVE LOSS		<u>(91,871)</u>

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010

	Share capital AED	Share application money AED	Deficit AED	Total AED
At 31 March 2009	1,000,000	1,216,670	(322,163)	1,894,507
Net loss	-	-	(91,871)	(91,871)
At 31 March 2010	1,000,000	1,216,670	(414,034)	1,802,636

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



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2010

	Notes	31.03.2010
		AED
OPERATING ACTIVITIES		
Net loss		(91,871)
Adjustments for noncash items:		
Depreciation	7	992
Foreign currency exchange loss	16	-
Operating loss before changes in working capital		(90,879)
Changes in operating assets and liabilities:		
Decrease/(increase) in:		
Prepaid expenses		(1,642)
Due from related parties		(310,477)
Sundry receivables		(1,232)
Increase/(decrease) in:		
Due to related party		3,603,729
Trade and other payables		(3,305,846)
Net cash used in operating activities		<u>(106,347)</u>
INVESTING ACTIVITY		
Increase in long-term receivables		-
Net decrease in cash and cash equivalents		(106,347)
Cash and cash equivalents at beginning of year		237,727
Cash and cash equivalents at end of year	11	<u><u>131,380</u></u>
These consist of:		
Current accounts with banks		131,380

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



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

1. LEGAL STATUS AND ACTIVITY

Zenith Middle East FZE (the Establishment) has been duly formed as a free zone establishment with limited liability per Share Certificate dated 19 July 2006 pursuant to Law No. 9 of 1992 and its implementing regulations. The Establishment is operating under commercial registration no. 1361 and trade license no. 3176 issued by the Jebel Ali Free Zone Authority of the Government of Dubai.

The principal activity of the Establishment is trading in basic steel products, basic non-ferrous metal products, workshop hardware and tools, scaffolds, building metal products, pipes and fittings and reinforcement steel bars. The Establishment is operating through at Office No. LB08018, P.O. Box 16752, Jebel Ali Free Zone, Dubai, United Arab Emirates (UAE).

2. SHARE CAPITAL

The authorized, issued and fully paid up capital of the Establishment is AED 1,000,000, represented by one share of AED 1,000,000 which is wholly owned by Zenith Birla (India) Limited.

3. ACCOUNTING PERIOD

These financial statements relate to period from 1 April 2009 to 31 March 2010.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

The accompanying financial statements have been prepared on a historical cost basis.

The financial statements are presented in UAE Dirhams since that is the currency of the country in which the Establishment is domiciled. All values are rounded to the nearest AED except when otherwise indicated.

The Establishment presents its financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the financial position date (current) and more than twelve months after the financial position date (noncurrent).

b. Statement of compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the UAE laws.

c. Basis of accounting

These financial statements, except for the provision for employees' entitlements to annual leave salary, employees' terminal benefits and air passage to their home country, are prepared under the accrual basis of accounting. Under the accrual basis of accounting, transactions and events are recognized when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

d. Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended IFRS and International Accounting Standards (IAS) which became effective on or after 1 January 2009. Adoption of these standards did not have any measurement effect on the financial statements. They did, however, give rise to additional disclosures.

- Amendment to IFRS 7, *Financial Instruments: Disclosures*

This amendment requires additional disclosure about the fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for fair value measurement in Level 3 is now required, as well significant transfers between fair value measurements in Level 1 and Level 2. The amendment also clarifies the requirements for liquidity risk disclosures. The fair value measurement disclosures are presented in Note 19 and the liquidity risk disclosures are not significantly affected by the amendments.

- Amendment to IAS 1, *Presentation of Financial Statements*

This amendment introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with other comprehensive income. Entities may choose to



present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This amendment also requires additional requirements in the presentation of the financial position and statement of changes in equity as well as additional disclosures to be included in the financial statements.

The following new accounting standards, amendments and interpretations to existing standards which became effective on 1 January 2009 did not have any effect on the financial statements of the Establishment:

- **Amendments to IFRS 2, *Share-based Payment - Vesting Conditions and Cancellations***
This amendment clarifies that vesting conditions are either service conditions and performance conditions. It also introduces the term non-vesting condition and failure to meet such condition equals cancellation.
- **IFRS 8, *Operating Segments***
This standard requires full management approach in identifying, measuring and disclosing the results of operating segments. This effectively replaces primary and secondary reporting segments in IAS 14.
- **Amendment to IAS 23, *Borrowing Costs***
This amendment applies to borrowing costs incurred on qualifying assets for which the commencement date for the capitalization is on or after 1 January 2009. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. This amendment eliminates the option of expensing all borrowing costs.
- **Amendments to IFRS 1 and IAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate***
These amendments relate to determining the cost of an investment in subsidiary, associate and joint controlled entity in the stand-alone financial statements of the parent, and the recognition of dividends from these entities. Deletion of the cost method, making the distinction between the pre- and post-acquisition profits is no longer required.
- **Amendments to IAS 32, *Financial Instruments: Presentation* and IAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation***
These amendments are designed to provide a short-term limited solution to permit certain non-corporate shareholders interests to be presented as equity. These require several conditions to be met for puttable financial instruments to be classified as equity.
- **Amendments to IAS 39 and IFRS 7, *Reclassification of Financial Assets***
These amendments prohibit entities to reclassify certain financial assets out of held for trading if they are no longer held for the purpose of being sold or repurchase in the near term. However, instruments designated at fair value through profit or loss (FVPL) using fair value option and derivatives are still not allowed to be reclassified.
- **Amendments to International Financial Reporting Interpretations Committee (IFRIC) 9, *Reassessment of Embedded Derivatives* and IAS 39, *Financial Instruments: Recognition and Measurement***
These amendments require entities to assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the FVTPL. Further, if the fair value of an embedded derivative that would have to be separated on reclassification cannot be reliably measured, the entire hybrid instrument must remain at FVTPL.
- **IFRIC 13, *Customer Loyalty Programmes***
This interpretation requires loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted and consideration received in the sales transaction is allocated between the sale of goods or services and the award credits. This interpretation requires retrospective application if change in policy is required.
- **IFRIC 16, *Hedges of a Net Investment in a Foreign Operation***
This interpretation clarifies what constitutes hedged risk in hedge of a net investment in a foreign operation (foreign currency exposure arising between the functional currency of the foreign operation and the functional currency of any parent entity).

New Interpretations and Amendments to Existing Standards Effective Subsequent to 31 March 2010

The Establishment will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Establishment does not expect the adoption of these amended IFRS, IAS and interpretations to have significant impact on its financial statements:

Effective in 2010

- **Revised IFRS 3, *Business Combinations* and IAS 27, *Consolidated and Separate Financial Statements***
The revised IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised IAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and noncontrolling interests (previously referred to as 'minority interests'); even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised IFRS 3 and IAS 27 must be applied prospectively and will affect future acquisitions and transactions with non-controlling interests.
- **Amendment to IAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items***
The amendment addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.
- **IFRIC 17, *Distributions of NonCash Assets to Owners***
This interpretation is effective for annual periods beginning on or after 1 July 2009 where early application permitted. It provides guidance on how to account for noncash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

Effective in 2012

- **IFRIC 15, *Agreements for the Construction of Real Estate***
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under IAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis, will also be accounted for based on stage of completion.

Improvements to IFRS

The omnibus amendments to IFRS issued in 2009 were issued primarily with a view of removing inconsistencies and clarify wordings. The amendments are effective for annual periods beginning 1 January 2010, except as otherwise stated. These are the separate transitional provisions for each standard. Except as otherwise indicated, the Establishment does not expect the adoption of these new standards and interpretations to have significant effect on its financial statements.

- **IFRS 2, *Share-based Payment*: Scope of IFRS 2 and revised IFRS 3**
- **IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations: Disclosures on non-current assets (or disposal groups) classified as held for sale or discontinued operations***
- **IFRS 8, *Operating Segments: Disclosure of information about segment assets***
- **IAS 1, *Presentation of Financial Statements: Current/non-current classification of convertible instruments***
- **IAS 7, *Statement of Cash Flows: Classification of expenditures on unrecognized assets***
- **IFRS 17, *Leases: Classification of leases of land and buildings***



- IAS 18, Revenue: Determining whether an entity is acting as a principal or as an agent
- IAS 36, Impairment of Assets: Unit of accounting for goodwill impairment
- IAS 38, Intangible Assets: Additional consequential amendments arising from revised IFRS 3; Measuring the fair value of an intangible asset acquired in a business combination
- IAS 39, Financial Instruments: Recognition and Measurement: Treating loan prepayment penalties as closely related embedded derivatives; Scope exemption for business combination contracts; Cash flow hedge accounting
- IFRIC 9, Reassessment of Embedded Derivatives: Scope of IFRIC 9 and revised IFRS 3
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation: Amendment to the restriction on the entity that can hold hedging instruments

e. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, non-refundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent replacement costs of parts of the property, plant and equipment are capitalized when the recognition criteria are met. Significant refurbishments and improvements are capitalized when it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond the originally assessed standard of performance. Costs of repairs and maintenance are charged as expense when incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the asset, as follows:

	<u>Years</u>
Office equipment	10 - 11

The useful life and the depreciation method are reviewed and adjusted if appropriate, at each financial year end, to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized and the cost and the related accumulated depreciation, and any impairment in value, are removed from the accounts.

f. Intangible asset

An intangible asset is recognized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

An intangible asset is measured initially at cost. The depreciable amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life.

As decided by the Board of Directors, the Establishment's intangible assets are to be charged to the statement of comprehensive income when the Establishment earns profits in subsequent years.

g. Impairment of nonfinancial assets

The carrying values of nonfinancial assets (property, plant and equipment and intangible asset) are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an

asset in an arm's length transaction. 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 assessment of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of comprehensive income.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount exceeding the carrying amount that would have been determined, net of any depreciation, had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations. After such a reversal, depreciation expense is adjusted in future years to allocate the asset's carrying amount, less any residual value, on a systematic basis.

h. Financial instruments

Date of recognition

The Establishment recognizes a financial asset or a financial liability in the Establishment's financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Initial recognition and classification of financial instruments

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those financial assets and liabilities at FVPL, includes transaction cost.

On initial recognition, the Establishment classifies its financial assets in the following categories: Held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, FVPL financial assets, and loans and receivables. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Establishment has no designated financial assets or liabilities at FVPL, HTM and AFS investments as at 31 March 2010.

Loans and receivables

Loans and receivables include nonderivative financial assets with fixed or determinable payments that are not quoted in an active market and for which the Establishment has no intention of trading. Loans and receivables are stated at their amortized cost, reduced by accumulated impairment loss, if any. Amortization is determined using the effective interest rate method.

Loans and receivables are included in current assets if maturity is within 12 months from the financial position date. Otherwise, these are classified as other assets.

Classified as loans and receivables are the Establishment's long-term receivables, due from related parties, sundry receivables and current accounts with bank.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Other financial liabilities are classified as current liabilities when it is expected to be settled within twelve months from the financial position date or the Establishment does not have an unconditional right to defer settlement for at least 12 months from the financial position date.

Included in this category are the Establishment's due to related party and trade and other payables.

Embedded Derivatives

An embedded derivative is separated from the host financial or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

- a.) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- b.) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- c.) the hybrid or combined instrument is not recognized at FVPL.

Subsequent reassessment is prohibited unless there is change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Establishment determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flow on the contract.

As at 31 March 2010, the Establishment does not have any contracts identified as having embedded derivative characteristics.

Determination of Fair Value

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the financial position date. For investments and all other financial instruments where there is no active market, fair value is determined using generally acceptable valuation techniques. Such techniques include using arm's length market transactions; reference to the current market value of another instrument, which are substantially the same; discounted cash flow analysis and other valuation models.

Impairment of Financial Assets

The Establishment assesses at each financial position date whether a financial asset or a group of financial assets are impaired.

Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the Establishment statement of comprehensive income.

The Establishment first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the Establishment's statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans, together with the associated allowance, are written off when there

is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Establishment. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the Establishment's statement of comprehensive income under "Other revenue" account. Any subsequent reversal of an impairment loss is recognized in the Establishment's statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Establishment's financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset or a part of a financial asset or part of a group of similar financial assets is derecognised when:

- a.) The rights to receive cash flows from the asset have expired;
- b.) The Establishment retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- c.) The Establishment has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Establishment has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Establishment's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Establishment could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

i. Provision

A provision is recognized in the financial position when the Establishment has a present legal or constructive obligation as a result of a past events and it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

j. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Establishment and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from sale of goods shall be recognized when all the following conditions have been satisfied:

- a.) The Establishment has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b.) The Establishment retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c.) The amount of revenue can be measured reliably;



- d.) It is probable that the economic benefits associated with the transaction will flow to the entity; and
- e.) The cost incurred or to be incurred in respect of the transaction can be measured reliably.

k. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a.) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b.) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c.) there is a change in the determination of whether fulfilment is dependent on a specified asset; or
- d.) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

l. Foreign exchange transactions and translation

Transactions in foreign currencies are recorded using the exchange rate at the date of transactions. Foreign exchange gains or losses arising from foreign currency transactions and revaluation adjustments of foreign currency assets and liabilities are credited to or charged against current operations. Monetary assets and liabilities denominated in foreign currencies are translated using the foreign exchange rate prevailing at balance sheet date. All differences are taken to the statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

m. Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

n. Events after the financial position date

Post year-end events up to the date of the auditors' report provides additional information about the Establishment's position at financial position date (adjusting events) and are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed, when material to the financial statements.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgments and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

In the process of applying the Establishment's accounting policies, management has made these judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Determination of functional and presentation currency

The Establishment determines the functional and presentation currency based on economic substance of underlying circumstances relevant to the Establishment. The functional and presentation currency has been determined to be the UAE Dirhams since its revenues and expenses are substantially denominated in this currency.

Operating lease commitments - Establishment as lessee

The Establishment has entered into lease agreements for its showroom and workshop. The Establishment has determined that all significant risks and rewards of ownership of these properties are retained by the lessor.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of depreciable property, plant and equipment and intangible asset

The Establishment reviews its property, plant and equipment and intangible asset for probable decreases in value. This includes considering certain indications such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's estimated net selling price. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. In determining the present value of the estimated future cash flows expected to be generated from the continued use of the assets, the Establishment is required to make estimates and assumptions that can materially affect the financial statements.

Useful lives of property, plant and equipment

The Establishment's management determines the estimated useful lives and related depreciation for its property, plant and equipment. This estimate is based on the expected future economic benefit of the property, plant and equipment. Management will increase the depreciation where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold.

Depreciation of property, plant and equipment is computed using the straight-line method over its useful life, regardless of utilization.

Impairment of receivables

The Establishment reviews its receivables to assess impairment at least on an annual basis. In determining whether impairment losses should be reported in the statement of comprehensive income, the Establishment makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made when there is an identified loss event or condition which, based on previous experience, is an evidence of a reduction in the recoverability of the cash flows.

Estimated warranty

There may be a liability on the part of the Establishment for making good all defects that may arise from sales of the products. This liability, if any, cannot be estimated and hence, not recognised in the financial statements.

6. GOING CONCERN

These financial statements are prepared on a going concern basis which is assumed that the Establishment will continue to operate in a foreseeable future. The Manager confirms that sufficient funds will be made available as may be necessary to support the continuance of the Establishment's operations.



7. PROPERTY, PLANT AND EQUIPMENT

This account consists of office equipment. In the opinion of the management, there is no indication of impairment losses for these assets.

31.03.2010
AED

Cost

At 31 March 10,449

Depreciation

At 1 April 5,705

Charge for the year 992

At 31 March 6,697

Net book value

3,752

8. INTANGIBLE ASSETS

This account represents formation and other expenses incurred prior to the start of operations. As decided by the Board of Directors, such will be charged to the statement of comprehensive income when the Establishment earns profits in subsequent years.

Cost

At 31 March 1,426,065

9. LONG-TERM RECEIVABLES

Visa deposits 26,000

10. SUNDRY RECEIVABLES

Advances to suppliers 1,582,076

Advances to employee 1,232

1,583,308

Ageing of sundry receivables

less than 365 days 1,232

more than 365 days 1,582,076

1,583,308

The Establishment does not have any trade debtors. Its credit risk is primarily attributable to its advances to suppliers, which represent amounts given as advances to suppliers for a project whose implementation gets delayed due to recession. Such balance will be adjusted in the future as decided by the Board of Directors.

11. CASH AND CASH EQUIVALENTS

Current accounts with banks 131,380

12. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Establishment has in the ordinary course of business, entered into trading and financial transactions with its related parties. The management believes that trading transactions are not materially different from those that could have been obtained from unrelated parties. The balances due from/to such parties which have been disclosed separately in the financial statements are unsecured, interest free and are repayable on call.



Details of related party balances are as follows:

	31.03.2010
	AED
Due from related parties	
Zenith Birla (India) Limited	-
Zenith USA Inc.	2,375,913
	<u>2,375,913</u>
Due to related party	
Zenith Birla (India) Limited	<u>3,603,729</u>
The summary of related party balances and transactions follows:	
a. Fund transfers to/(from)	
Zenith Birla (India) Limited	-
Zenith USA Inc.	(1,887,363)
b. Sales/(purchases)	
Zenith Birla (India) Limited	(178,073)
Zenith USA Inc.	2,375,913
c. Amount payable to Tungabhadra Holdings Pvt.Ltd transferred to the account of Zenith Birla (India) Limited as a result of merger	(3,603,729)
13. SHARE APPLICATION MONEY	
At 31 March	<u>1,216,670</u>
On 15 November 2007, Zenith Birla (India) Ltd, the holding company, transferred USD 332,000 (equivalent to AED 1,216,670) to the Establishment for increasing the paid up share capital per Board Resolution dated 31 October 2007.	
Subsequent to 31 March 2010, the Establishment filed an application for the increase in share capital and an amount of AED 1.0 million has been approved by the Jebel Ali Free Zone Authority. No allocation to share capital has been effected yet since the new certificate has not been received as at the auditors' report date.	
14. TRADE AND OTHER PAYABLES	
Trade payables	151,245
Accrued expenses	13,000
	<u>164,245</u>
These trade payables have been long outstanding yet no claims against the Establishment have been received as at the financial position date. The Board of Directors has decided to adjust these in subsequent years.	
15. COST OF SALES	
Purchases and direct expenses	<u>2,364,031</u>
16. OTHER INCOME - Net	
Miscellaneous income	-
Foreign currency exchange loss	-
	<u>-</u>
17. GENERAL AND ADMINISTRATIVE EXPENSES	
Rent (Note 18)	46,742
Salaries and benefits	27,600
Professional charges	10,000
Legal and licence fee	5,500
Insurance	3,968
Office expenses	2,984
Post and telecommunication	2,877
Travel and conveyance	561
Miscellaneous	1,007
	<u>101,239</u>

The bulk of miscellaneous expenses in 2009 represent business promotion expenses incurred by the Establishment during that year for which incremental sales were expected to be generated in the future years.

18. LEASE AGREEMENT

The Establishment entered into lease agreement for its warehouse. The lease is renewable annually. Lease contract can contain terms to allow for annual increase to reflect market rentals.

In 2010, AED 46,742 (previous year: AED 48,484) was recognized as an expense in the statement of comprehensive income in respect of the operating lease (see Note 17).

19. FAIR VALUE MEASUREMENT

The Establishment's financial instruments consist of long-term receivables, due from related parties, sundry receivables, current accounts with bank, due to related party, and trade and other payables.

The tables on page 72 set forth a comparison by category of the carrying values and estimated fair values of all the Establishment's financial assets and liabilities. There are no unrecognized financial assets and liabilities as at 31 March 2010.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management structure

The Establishment is exposed to market risk, credit risk and liquidity risk. The Management reviews and agrees policies for managing each of these risks, which are summarized below:

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of the changes in the market prices. Market risks comprise risks such as foreign currency exchange risk and interest rate risk.

Foreign currency exchange risk

It is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Establishment's foreign exchange transactions are predominantly in US Dollars and Euro. The management believes that the Establishment's foreign currency exposures are within conservative limits.

Interest rate risk

It is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Since the Establishment does not have any borrowings, it is not exposed to any interest rate risk.

Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to perform its obligations during the life of the transaction. This includes the risk of non-payment by borrowers or issuers, failed settlement of transactions and default on contracts. The carrying amounts of long-term receivables, due from related parties, sundry receivables and current accounts with bank represent the Establishment's maximum exposure to credit risk in relation to financial assets. The current accounts with bank are placed with high credit quality financial institution. Concentration of credit risk with respect to sundry receivables is high due to the possibility that the advances given to suppliers for a project which has been long time delayed may not be recovered.

The tables on page 73 show the Establishment's exposure on its financial assets as at 31 March 2010.

Liquidity risk

It is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity planning is being performed by the Establishment to ensure availability of funds needed to meet working capital requirements.

The tables on page 74 summarize the maturity profile of the Establishment's financial liabilities as of 31 March 2010 based on contractual undiscounted payments.

Capital management

The Establishment manages its capital to ensure that it would be able to continue as a going concern through the optimization of debt and equity balance. The Establishment is subject to the provisions of UAE Federal Law in respect of its capital requirements.



The Establishment's overall capital strategy remains unchanged from previous year.

The Establishment monitors capital using a leverage ratio, which is net debt divided by the sum of total equity and net debt. Net debt includes due to related party and trade and other payables.

The leverage ratio as at 31 March 2010 is as follows:

31.03.2010

AED

Current liabilities

Due to related party 3,603,729

Trade and other payables 164,245

Total debt 3,767,974

Less cash and cash equivalents (Note 11) 131,380

Net debt 3,636,594

Equity 1,802,636

Total equity and net debt 5,439,230

Leverage ratio 67%

21. NUMBER OF EMPLOYEES

During the year, the Establishment has not employed additional employees, the same number of one (1) employee is working with the Establishment.

22. PURCHASE COMMITMENTS

Commercial letters of credit NIL

Bank acceptances NIL

23. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Labour guarantee 26,000

Security cheques NIL

Capital commitments NIL

Except the ongoing service commitments in the normal course of business against which no loss is expected, there has been no other known contingent liability or capital commitment on the Establishment's account.

24. EVENTS AFTER THE FINANCIAL POSITION DATE

Subsequent to 31 March 2010, the Establishment filed an application for the increase in share capital and an amount of AED 1.0 million has been approved by the Jebel Ali Free Zone Authority. As at the auditors' report date, the new certificate has not been received yet, hence, no allocation to share capital has been effected in these financial statements. There were no other significant events occurring after the financial position date that would have any material effect on the financial statements of the Establishment.



FAIR VALUE MEASUREMENT

(Refer Note 19)

The following tables set forth the carrying values and estimated fair values of the Establishment's financial assets and liabilities as at 31 March 2010:

	Carrying Values 31.03.2010	Fair Values 31.03.2010
	AED	AED
Long-term receivables	26,000	26,000
Due from related parties	2,375,913	2,375,913
Sundry receivables		
Advances to suppliers	1,582,076	1,582,076
Advances to employee	1,232	1,232
Current accounts with bank	<u>131,380</u>	<u>131,380</u>
Total financial assets	<u>4,116,601</u>	<u>4,116,601</u>
Trade and other payables		
Trade payables	151,245	151,245
Advances from customer	-	-
Accrued expenses	<u>13,000</u>	<u>13,000</u>
Total financial liabilities	<u>164,245</u>	<u>164,245</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Due from/to related parties, sundry receivables, current accounts with bank and trade and other payables*
- carrying amounts approximate fair values due to short-term nature of the accounts.
- *Long-term receivables*
- the fair value is estimated as the present value of the amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value over the term of the long-term receivables.

ZENITH MIDDLE EAST FZE
Dubai, United Arab Emirates

CREDIT RISK

(Refer to Note 20)

The tables below show the maximum exposure to credit risk and credit quality of the Establishment's financial assets as at 31 March 2010:

	31 March 2010					
	Neither past due nor impaired			Past due but not impaired		Total
	High grade	Medium grade	Low grade	Total	Impaired	
AED	AED	AED	AED	AED	AED	
Long-term receivables	26,000	-	-	26,000	-	26,000
Due from related parties	2,375,913	-	-	2,375,913	-	2,375,913
Sundry receivables						
Advances to suppliers	-	-	-	-	1,582,076	1,582,076
Advances to employee	1,232	-	-	1,232	-	1,232
Current accounts with bank	131,380	-	-	131,380	-	131,380
	2,534,525	-	-	2,534,525	1,582,076	4,116,601

The Establishment's bases in grading its financial assets are as follows:

- High grade - accounts with counterparties that have consistently displayed prompt settlement practices, with little or no instances of defaults or discrepancies in payments.
- Medium grade - active accounts with reasonable instances of default, often due to common collection issues, but where the likelihood of collection is moderately high as the counterparties are responsive to communication or credit actions of the Establishment.
- Low grade - accounts with a low probability of collection and can be considered impaired based on historical experience, where counterparties exhibit a recurring tendency to default despite constant reminder and communication, or even extended payment terms.

ZENITH MIDDLE EAST FZE
Dubai, United Arab Emirates

LIQUIDITY RISK
(Refer to Note 20)

The following tables summarize the maturity profile of the Establishment's financial liabilities as at 31 March 2010 based on contractual undiscounted payments:

	31 March 2010					Total
	Within 3 months	3 to 6 months	6 to 12 months	More than 1 year	AED	
Trade payables	-	-	151,245	-	-	151,245
Advances from customer	-	-	-	-	-	-
Accrued expenses	13,000	-	-	-	-	13,000
	13,000	-	151,245	-	-	164,245

Trade and other
payables



AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ZENITH BIRLA (INDIA) LIMITED

To
The Board of Directors
Zenith Birla (India)Limited

1. We have audited the attached consolidated balance sheet of Zenith Birla (India) Limited (the "Company") and its subsidiaries, hereinafter referred to as the 'Group' (refer Note 1 on Schedule 20 to the attached consolidated financial statements) as at 31st March, 2010, the related consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of two wholly owned foreign subsidiaries, included in the consolidated financial statements, which constitute total assets of Rs. 1671.66 lacs and net assets of Rs. 1099.72 lacs as at March 31, 2010, total revenue of Rs. 5224.27 lacs, net loss of Rs. 96.68 lacs, and net cash flows amounting to Rs (188.17) lacs for the year then ended. These financial statements and other financial information have been audited by other auditors and / or certified by the Management and furnished to us, and our opinion, on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the reports of the other auditor and /or certified financial statements. Since the financial statements of one of the foreign subsidiary which were compiled by the management for the financial year ended 31st March, 2010, were not audited, any adjustments to their balances could have consequential effect on the attached consolidated financial statements. However the size of this foreign subsidiary, in the consolidated position, is not significant in relative term.
4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements notified under sub-section 3C of Section 211 of the Companies Act, 1956.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2010;
 - (b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date: and
 - (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date

For Dalal & Shah
Firm Registration Number 102021W
Chartered Accountants

S. Venkatesh
Partner
Membership Number 037942

Mumbai, 31st May, 2010, except as to Note 14 to the Accounts, which is as of 24th June, 2010, and is on the basis of audit procedures restricted to amendment described in that Note.



CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

		(Rs.in Lacs)	
		as at	as at
		31.03.2010	31.03.2009
I. SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
(a) Share Capital	1	5,374.28	4,007.25
(b) Reserves and Surplus	2	12,773.51	18,466.59
		<u>18,147.79</u>	<u>22,473.84</u>
NET DEFERRED TAX LIABILITY (Refer Note 8)		459.91	158.70
LOAN FUNDS			
(a) Secured Loans	3	10,439.41	9,956.65
(b) Unsecured Loans	4	1,471.92	1,376.31
(c) Vehicle Loans	5	31.67	17.25
		<u>11,943.00</u>	<u>11,350.21</u>
TOTAL		<u><u>30,550.70</u></u>	<u><u>33,982.75</u></u>
II. APPLICATION OF FUNDS			
FIXED ASSETS			
(a) Gross Block	6	12,462.45	11,037.68
(b) Less: Depreciation		2,622.79	2,036.12
(c) Net Block		<u>9,839.66</u>	<u>9,001.56</u>
(d) Capital Work-in-Progress		2,423.52	2,956.26
		<u>12,263.18</u>	<u>11,957.82</u>
INVESTMENTS	7	1.00	500.30
CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	8	12,201.41	11,677.12
(b) Sundry Debtors	9	9,398.24	5,656.42
(c) Cash and Bank Balances	10	3,471.23	2,334.86
(d) Loans and Advances	11	19,543.28	21,674.32
		<u>44,614.16</u>	<u>41,342.72</u>
Less:			
CURRENT LIABILITIES AND PROVISIONS			
(a) Liabilities	12	21,526.09	17,122.45
(b) Provisions	13	4,801.55	2,695.64
		<u>26,327.64</u>	<u>19,818.09</u>
NET CURRENT ASSETS		18,286.52	21,524.63
TOTAL		<u><u>30,550.70</u></u>	<u><u>33,982.75</u></u>
Notes forming part of the Accounts	20		

As per our attached report of even date

For **Dalal & Shah**
Firm Registration No.: 102021W
Chartered Accountants

S. Venkatesh
Partner
Membership No: 037942
Mumbai, 24th June, 2010

By Order of the Board

Yash Birla
Chairman

M. S. Arora
Managing Director

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010****(Rs.in Lacs)**

	SCHEDULE	For the year ended 31st March,2010	For the year ended 31st March,2009
INCOME			
Sale of Products and Export Incentives		50,084.25	63,121.56
Less : Excise Duty		2,376.78	4,469.86
		47,707.47	58,651.70
Other Income	14	2,491.22	1,289.59
		50,198.69	59,941.29
EXPENDITURE			
(Increase)/Decrease in Stocks	15	(1,834.73)	(560.64)
Materials Consumed		36,415.57	36,907.39
Purchase of Finished Goods for Trade		3,480.90	9,101.99
Manufacturing and Maintenance	16	2,616.31	2,903.45
Employees Remuneration and Benefits	17	1,596.11	2,706.92
Administrative, Selling and Other Expenses	18	3,767.20	4,174.64
		46,041.36	55,233.75
PROFIT BEFORE INTEREST,DEPRECIATION AND TAXATION		4,157.33	4,707.54
Interest and Finance Expenses	19	1,901.03	2,181.80
PROFIT BEFORE DEPRECIATION AND TAXATION		2,256.30	2,525.74
Depreciation		526.59	501.80
PROFIT FOR THE YEAR BEFORE TAXATION		1,729.71	2,023.94
Less: Provision for Taxation			
Current Tax (Net of MAT Credit Rs. 238.69 lacs)		613.70	235.33
Deferred Tax		204.60	275.78
Wealth Tax		1.32	0.77
Fringe Benefit Tax		-	18.90
		819.62	530.78
PROFIT FOR THE YEAR		910.09	1,493.16
Expenses in respect of earlier years		-	(0.48)
Excess/(Short) Provision of Current Tax for Prior Period		18.85	(8.30)
		928.94	1,484.38
Balance of Profit as per last account		5,575.22	4,372.14
Less: Net Surplus for the year ended 31st March 2009, transferred to Birla Precision Technologies Ltd. on account of demerger of Tool Division (Refer Note 5)			
Adjusted on account of demerger of Tool Division as per the scheme of arrangement approved (Refer Note 5)		(375.57)	-
Difference in book value of assets transferred on account of amalgamation of Tungabhadra Holdings Pvt.Ltd.as per Scheme of arrangement (Refer Note 5)		(2,068.55)	-
Net Deficit for the year ended 31st March 2009, transferred on account of amalgamation of Tungabhadra Holdings Pvt.Ltd. as per Scheme of arrangement (Refer Note 5)		(494.71)	-
		(27.20)	-
BALANCE AVAILABLE FOR APPROPRIATION		3,538.13	5,856.52
APPROPRIATION:			
Transferred to General Reserve		89.69	-
Proposed Equity Dividend		2,162.00	240.44
Tax on Proposed Equity Dividend		359.08	40.86
Balance Carried to Balance Sheet		927.36	5,575.22
		3,538.13	5,856.52
Average number of Equity Share outstanding during the year		53,742,859	40,072,544
Nominal value of ordinary share		10.00	10.00
Basic \ Diluted earning per hare		1.73	3.70
Notes forming part of the Accounts	20		

As per our attached report of even date

For Dalal & Shah
Firm Registration No.: 102021W
Chartered Accountants

S. Venkatesh
Partner
Membership No: 037942
Mumbai, 24th June, 2010

By Order of the Board

Yash Birla
Chairman

M. S. Arora
Managing Director



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs.in Lacs)

	For the year Ended 31.03.2010	For the year Ended 31.03.2009
A. CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT BEFORE TAX	1,729.71	2,023.94
Adjustment for :		
Depreciation	526.59	501.80
Loss/(Surplus) on Sale of Fixed Assets (Net)	(131.46)	13.41
Interest and Finance Expenses	1,901.03	2,181.80
Interest Income	(1,366.64)	(1,108.44)
Dividend from Current Investments	(0.82)	-
Expenses in respect of earlier years	-	(0.48)
	928.70	1,588.09
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	2,658.41	3,612.03
Adjustment for :		
Trade and other receivables	(3,571.58)	3,166.20
Inventories	(1,766.17)	(1,365.95)
Trade Payables	166.02	(1,739.49)
	(5,171.73)	60.76
CASH GENERATED FROM OPERATIONS	(2,513.32)	3,672.79
Tax Payments	(352.13)	(204.34)
NET CASH FLOW FROM OPERATING ACTIVITIES	(2,865.45)	3,468.45
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(267.44)	(2,512.21)
Inter Corporate Deposits and Loans (Including Interest) (Net)	2,554.65	(401.60)
Dividend from Current Investments	0.82	-
Investment (Net)	500.00	(500.00)
Sale of Fixed Assets	140.97	17.71
NET CASH FLOW FROM INVESTING ACTIVITIES	2,929.00	(3,396.10)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Interest paid	(2,086.33)	(2,189.15)
Borrowings (Net of repayments)	1,068.94	2,640.51
Dividend paid	(281.30)	(93.77)
Share Issue Expenses	(85.71)	-
NET CASH FLOW FROM FINANCING ACTIVITIES	(1,384.40)	357.59
NET INCREASE/ (DECREASE) IN CASH AND CASHEQUIVALENTS (A+B+C)	(1,320.84)	429.94
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR	1,698.20	1,268.26
Add: Cash and Cash Equivalents taken over on Scheme of Arrangement	154.67	-
	1,852.87	1,268.26
CASH AND CASH EQUIVALENTS AS AT YEAR END	532.03	1,698.20
Reconciliation of Cash and Cash Equivalents as at year end:-		
Cash and Cash Equivalents as per Schedule 10	3,471.23	2,334.86
Less: Balance in Fixed Deposit accounts kept as margin money with the bankers	(2,939.20)	(636.66)
	532.03	1,698.20

As per our attached report of even date
For Dalal & Shah
Firm Registration No.: 102021W
Chartered Accountants

S. Venkatesh
Partner
Membership No: 037942
Mumbai, 24th June, 2010

By Order of the Board
Yash Birla
Chairman

M. S. Arora
Managing Director

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010**

	(Rs.in Lacs)	
	as at 31.03.2010	as at 31.03.2009
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED:		
15,55,00,000 (5,00,00,000) Equity Shares of Rs. 10/- each	15,550.00	5,000.00
TOTAL	15,550.00	5,000.00
ISSUED AND SUBSCRIBED:		
5,37,42,859 (4,00,72,544) Equity Shares of Rs. 10/- each fully paid up	5,374.28	4,007.25
Note: I. Of the above Equity Shares-		
(a) 4,36,444 Equity Shares were allotted as fully paid up Bonus Share by capitalisation of Reserves and Share Premium Account.		
(b) 1,37,683 Equity Shares were issued and allotted to the Shareholders of erstwhile "The Indian Tool Manufacturers Limited" in terms of the Scheme of Amalgamation.		
(c) 48,019 Equity Shares were issued on part conversion of loans into Equity.		
(d) 1,57,745 Equity Shares were issued on part conversion of 13.5% Redeemable Convertible Debentures into Equity.		
(e) 50,552 Equity Shares were issued and allotted to Term Lenders as per Scheme of Rehabilitation sanctioned by BIFR on 8th January, 1996.		
(f) 1,72,974 Equity Shares were issued and allotted to Term Lenders as per Scheme of Rehabilitation sanctioned by BIFR on 8th January, 1996.		
(g) 1,15,93,207 Equity Shares were issued and allotted on Conversion of 15.5% C C P S at a premium of Rs. 11/- per share based on the pricing formula as laid down in the Scheme of Rehabilitation approved by BIFR on 8th January, 1996.		
(h) 1,36,70,315 Equity Shares issued and allotted to the Shareholders of erstwhile Tungabhadra Holdings Pvt.Ltd. in terms of the Scheme of Amalgamation (Refer Note 5)		
TOTAL	5,374.28	4,007.25
SCHEDULE 2		
RESERVES AND SURPLUS		
1. Share Premium Account		
As per last account	10,673.11	10,673.11
Less: Share Issue Expenses incurred during the year	85.71	-
	10,587.40	10,673.11
Add: Transferred on account of Amalgamation of Tungabhadra Holdings Pvt.Ltd. as per Scheme of Arrangement (Refer Note 5)	1,167.46	-
	11,754.86	10,673.11
2. General Reserve:		
As per last account	2,218.26	2,439.93
Add: Deferred Tax Asset	-	117.08
	2,218.26	2,557.01
Less: Foreign Currency Transaction Difference Account	-	338.75
	2,218.26	2,218.26
Less: Adjusted on account of demerger of Tools Division as per Scheme of Arrangement. (Refer Note 5)	2,218.26	-
Add: Transferred on account of amalgamation of Tungabhadra Holdings Pvt.Ltd. as per Scheme of Arrangement. (Refer Note 5)	1.60	-
Transferred from Profit and Loss account	89.69	-
	91.29	2,218.26
3. Surplus in Profit and Loss Account	927.36	5,575.22
TOTAL	12,773.51	18,466.59



**SCHEDULE 3
SECURED LOANS**

(Rs.in Lacs)

	as at 31.03.2010	as at 31.03.2009
1. Working Capital Loans from Banks	6,617.00	4,861.65
2. Term Loan from Foreign Institution	3,535.97	5,095.00
3. Term Loan from The Shamrao Vithal Co-op Bank Ltd.	45.02	-
4. Term Loan from Axis Bank Ltd.	241.42	-
TOTAL	10,439.41	9,956.65

Note:

- (i) Working Capital Loans from Banks are secured by hypothecation of inventories and or book debts and export incentives recoverable etc. and collaterally secured by way of first charge on the fixed assets.
- (ii) Term Loan from Foreign Institution is secured by
 - (a) First charge (hypothecation) of all movable assets, both present and future including Plant and Machinery purchased out of this Term Loan with a second charge of these assets to existing working capital bankers, and
 - (b) Second charge (hypothecation) on overall existing movable and immovable assets including Plant and Machinery.
- (iii) Term Loan from Shamrao Vithal Co-op Bank Ltd. is secured by an equitable mortgage of Land & Building and Hypothecation of Plant and Machinery, situated at village Isnapur, Medak Andhra Pradesh and Tarapur.
- (iv) Term Loan from Axis Bank Ltd. is secured by mortgage of property located at 2nd Floor, Bldg., No. 2, Vedant Commercial Complex, Vartak Nagar, Thane (W) Including all rent receivable from the said property.

SCHEDULE 4

UNSECURED LOANS

1. Fixed Deposit	1,209.92	601.92
2. The State Industrial and Investment Corporation of Maharashtra Ltd.	-	54.43
3. Due to bodies Corporate	112.00	413.64
4. Sales Tax Deferred Payment Loan	150.00	150.00
5. Interest accrued and due	-	156.32
TOTAL	1,471.92	1,376.31

SCHEDULE 5

VEHICLE LOANS

Loans secured against specific vehicles

TOTAL	31.67	17.25
TOTAL	31.67	17.25

SCHEDULE 6

FIXED ASSETS

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION				NETBLOCK	
	Cost/Book Value As At 01-04-2009	Additions / Adjustments	Deductions / Adjustments	Cost/Book Value As At 31-03-2010	Upto 01-04-2009	For The Year	Deductions / Adjustments	Upto 31-03-2010	As At 31-03-2010	As At 31-03-2009
Land-Freehold	1,374.67	455.82	6.07	1,824.42	-	-	-	-	1,824.42	1,374.67
-Leasehold	387.75	134.17	322.69	199.23	25.16	2.28	10.16	17.28	181.95	362.59
Buildings +	4,800.22	628.93	548.07	4,881.08	540.93	124.76	(2.51)	668.20	4,212.88	4,259.29
Plant and Machinery	3,762.71	2,284.66	1,141.95	4,905.42	1,286.27	353.37	(122.69)	1,762.33	3,143.09	2,476.44
Furniture,Fixtures & Equipments	437.66	40.80	52.84	425.62	73.20	26.46	(3.74)	103.40	322.22	364.46
Vehicles	274.67	42.29	90.28	226.68	110.56	19.72	58.70	71.58	155.10	164.11
TOTAL	11,037.68	3,586.67	2,161.90	12,462.45	2,036.12	526.59	(60.08)	2,622.79	9,839.66	9,001.56
PREVIOUS YEAR'S TOTAL	10,183.85	939.95	86.12	11,037.68	1,589.32	501.80	55.00	2,036.12	9,001.56	8,417.66

+ Buildings include (a) Ownership Flats, Roads, Drains and Pipelines.

(b) Rs. 0.91 lac being the cost of two flats on 30 years lease for which the Society is yet to be formed.

Note: I. The Company has on 31st December 2004, revalued the major items of Fixed Assets on the basis of the valuation report obtained from the qualified Government Engineers & Valuers.

This has resulted in increase in gross block by Rs. 5578.72 lacs.

Refer Note 5 for adjustment on account of Demerger and Amalgamation.



(Rs.in Lacs)

as at
31.03.2010

as at
31.03.2009

SCHEDULE 7

**INVESTMENTS: AT COST / BOOK VAULE
OTHER THAN TRADE INVESTMENTS**

(A) LONG TERM

Quoted:

4,35,350 Fully paid Equity Shares of Rs.10/-each of
Birla Transasia Carpets Limited.

63.69

63.69

Less: Provision for diminution in value

63.69

63.69

Unquoted:

I. IN SHARES:

(a) 236 Fully paid Shares of US \$ 1,000 each of P.T. Horizon Syntex Indonesia, continue to be held in the name of erstwhile The Indian Tool Manufacturers Limited, and the same are still in process of being transferred in the name of the Company pending receipt of the necessary approval from Reserve Bank of India

19.31

19.31

Less: Provision for diminution in value

19.31

19.31

(b) TIMA CETP Co-Op Society Ltd.
2000 fully paid Equity Share of Rs. 10/- each

0.20

-

(c) The Shamrao Vithal Co-op Bank Ltd.
2000 fully paid share of Rs. 25/- each

0.50

-

II. National Savings Certificates (Deposited with Government and Semi-Government authorities)

0.30

0.30

(B) CURRENT

In Mutual Fund (Non Government Securities) (Unquoted)
2985021 Units of SBI Magnum Insta Cash Fund - Daily Dividend Option

-

500.00

TOTAL

1.00

500.30

**Book Value
Rs.in Lacs**

**Market Value
Rs.in Lacs**

a) **Aggregate of Quoted Investments
Previous Year**

-
93.35

b) **Aggregate of Unquoted Investments
Previous Year**

1.00
(500.30)

N.A
(N.A)

SCHEDULE 8

INVENTORIES

1. Stores and Spare Parts
2. Raw Materials and Components
3. Raw Materials-in-process
4. Material in transit
5. Semi-finished Goods
6. Finished Goods
7. Scrap etc.

735.44

513.33

1,747.15

2,953.79

1,178.79

832.71

509.19

1,331.84

2,659.62

2,987.01

4,222.50

2,413.25

1,148.72

645.19

TOTAL

12,201.41

11,677.12

SCHEDULE 9

SUNDRY DEBTORS-UNSECURED

1. Outstanding over six months

(a) Considered good

259.28

1,127.34

(b) Considered doubtful

150.00

48.96

Less: Provision

150.00

48.96

2. Other Debts-Considered good

9,138.96

4,529.08

TOTAL

9,398.24

5,656.42



	(Rs.in Lacs)	
	as at 31.03.2010	as at 31.03.2009
SCHEDULE 10		
CASH AND BANK BALANCES		
1. Cash on hand (including Cheques on hand Rs. 79.27 lacs) (Previous year Rs. 115.99 lacs)	85.71	123.83
2. Remittance-in-Transit	-	39.98
3. <u>Scheduled Banks</u>		
i) In Current Accounts	272.53	1,371.18
ii) In Fixed Deposits (Including Interest Accrued)	166.27	152.71
iii) In Fixed Deposits (margin money) pledged with Banks	2,939.20	636.66
4. <u>Non-Scheduled Banks</u>		
i) In Current Accounts - The Municipal Co-op Bank Limited Mumbai (Maximum balance due during the year Rs. 10.13 lacs Previous year Rs. 13.61 lacs)	7.15	10.13
ii) In Fixed Deposits - The Municipal Co-op Bank Limited Mumbai (Maximum balance due during the year Rs. 0.37 lac Previous year Rs.0.37 lac)	0.37	0.37
TOTAL	3,471.23	2,334.86
SCHEDULE 11		
LOANS AND ADVANCES		
Unsecured, Considered Good, unless otherwise specified		
1. Advances recoverable in cash or in kind or for value to be received Good (Refer Note 9)	17,397.02	20,536.43
Doubtful	160.48	211.90
Less: Provision	160.48	211.90
	-	-
2. Balance with Port Trust, Customs and Excise	1,474.25	617.84
3. Advance Tax	672.01	520.05
TOTAL	19,543.28	21,674.32
SCHEDULE 12		
CURRENT LIABILITIES		
1. Sundry Creditors and Acceptances		
(a) Micro and Small Enterprises (Refer Note 4) (to the extent identified by the Management)	-	-
* (b) Other (Includes Acceptances Rs. 10415.24 lacs (previous year Rs. 10386.62 lacs)	21,487.18	17,054.56
2. Interest accrued but not due	38.91	67.89
TOTAL	21,526.09	17,122.45
* There are no amounts to be transferred to Investor Education and Protection Fund.		
SCHEDULE 13		
PROVISIONS		
1. Taxation	1,228.76	830.42
2. Fringe Benefit Tax	39.60	41.94
3. Employee Benefits	520.72	1,050.59
4. Contingencies (Refer Note 3)	491.39	491.39
5. Proposed Equity Dividend	2,162.00	240.44
6. Dividend Tax on Proposed Equity Dividend	359.08	40.86
TOTAL	4,801.55	2,695.64



SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	(Rs.in Lacs)	
	For the year ended 31st March,2010	For the year ended 31st March,2009
SCHEDULE 14		
OTHER INCOME		
1. Miscellaneous Income	193.81	155.64
2. Sales Tax Refunds / Set off etc.	84.97	3.64
3. Dividends and Income from Current Investment	0.82	-
4. Surplus on Sale of Fixed Assets	133.10	0.05
5. Interest Received on Income Tax refund	80.32	-
6. Interest recoveries from parties (Gross) (Tax deducted at source Rs. 16.66 lacs, previous year Rs. 28.14 lacs)	1,366.64	1,108.44
7. Excess provision written back (Net)	65.64	14.36
8. Provision no longer required	156.32	7.46
9. Foreign exchange Gain\ (Loss) (Net)	409.60	-
TOTAL	<u>2,491.22</u>	<u>1,289.59</u>
 SCHEDULE 15		
(INCREASE)/DECREASE IN STOCKS		
Closing Stocks :		
Finished Goods	4,222.50	2,413.25
Semi-Finished Goods	2,659.62	2,987.01
Scrap etc.	1,148.72	645.19
	8,030.84	6,045.45
Less:		
Opening Stocks :		
Finished Goods	2,413.25	2,724.86
Semi-Finished Goods	2,987.01	2,120.67
Scrap etc.	645.19	804.17
	6,045.45	5,649.70
Less: Transferred on Demerger	1340.50	-
Add: Taken over on Amalgamation :	1462.80	-
	6,167.75	5,649.70
	1,863.09	395.75
Variation in excise duty on closing and opening stock of Finished Goods	(28.36)	164.89
TOTAL	<u>(1,834.73)</u>	<u>(560.64)</u>



	(Rs.in Lacs)	
	For the year ended 31st March,2010	For the year ended 31st March,2009
SCHEDULE 16		
MANUFACTURING AND MAINTENANCE		
1. Stores and Spare Parts consumed	847.20	881.35
2. Power, Fuel and Water	1,076.80	756.77
3. Repairs to: (Excludes Stores and Spares issued)		
(a) Buildings	26.15	54.53
(b) Machinery	45.23	120.88
(c) Others	30.85	30.46
4. Conversion, Octroi and other manufacturing expenses	590.08	1,059.46
TOTAL	2,616.31	2,903.45
SCHEDULE 17		
EMPLOYEES' REMUNERATION AND BENEFITS		
1. Salaries, Wages and Bonus, etc.	1,404.85	2,322.95
2. Contribution to Provident and Other Funds	78.19	166.25
3. Welfare Expenses	113.07	217.72
TOTAL	1,596.11	2,706.92
SCHEDULE 18		
ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
1. Rent (Net)	43.53	114.17
2. Insurance	4.88	17.17
3. Rates and Taxes	24.37	28.83
4. Miscellaneous Expenses	943.87	1,074.06
5. Freight, Forwarding and Handling Expenses etc.	2,045.93	2,486.20
6. Commission	456.47	208.04
7. Directors' Fees and Travelling Expenses	6.12	5.11
8. Auditors' Remuneration:		
(a) Statutory Auditors:		
(1) As Auditors Fees (excluding service tax)	9.30	5.98
(2) Certificate and Other Matters	3.94	2.25
(3) Expenses	0.28	0.21
(b) Cost Audit Fees	0.50	0.50
9. Loss on Fixed Assets sold/discarded	1.64	13.46
10. Loss on sale of Raw Material and Stores (Net)	8.18	6.63
11. Bad debts,irrecoverable advances and claims written off	26.00	56.84
12. Provision for Doubtful Debts and Advances	150.00	-
13. Foreign Exchange rate difference (Net)	12.62	126.67
14. Cash Discount	29.57	28.52
TOTAL	3,767.20	4,174.64
SCHEDULE 19		
INTEREST AND FINANCE EXPENSES		
1. On Fixed Loans	165.62	238.29
2. To Banks and Others	1,735.41	1,943.51
TOTAL	1,901.03	2,181.80



(Rs in Lacs)

Particulars	Amount	Amount
Fixed Assets (Net)		1379.74
Capital Work in Progress		31.50
Current Assets, Loans and Advances	5304.08	
Less: Current Liabilities and Provisions	2283.47	
		3020.61
Total Assets		4431.85
Less:		
Secured Loans		145.04
Net Assets Transferred		4286.81

Net Assets Transferred is adjusted as follows:

(Rs. in Lacs)

- (a) From General Reserve Rs. 2218.26
- (b) From balance in Profit and Loss Account Rs. 2068.55
- (iii) The income accruing and expenses incurred for the Tool division of the Company, for the period from April 01, 2008 to March 31, 2009 resulting in a Net Surplus of Rs. 375.57 lacs, has been transferred to BPTL. During the period between the appointed date and the effective date (i.e. January 8, 2010), as the Company carried on the existing business in "trust" on behalf of the BPTL, all vouchers, documents, etc, for the period are in the name of the Company. The title deeds for leasehold land, building, residential flats, licenses, agreements, loan documents, etc., are in the process of being transferred in the name of the BPTL.
- (iv) Information of cash flows in respect of Discontinued Operations:

(Rs. in lacs)

	2009 - 10	2008 - 09
Cash Flow from Operating Activity	-	(165.77)
Cash Flow from Investing Activity	-	(619.57)
Cash Flow from Financing Activity	-	829.99

- (b) (i) The undertakings of THPL being all its assets and properties, both movable and immovable, industrial and other licenses, trademarks, all other interests, rights and powers of every kind, etc., and all its debts, liabilities, duties and obligations, has been transferred to and vested in the Company retrospectively with effect from April 01, 2008 (the appointed date). The Scheme has accordingly been given effect to in these accounts.

The operations of THPL include manufacturing and trading in Steel Pipes.

- (ii) The amalgamation of THPL with the Company has been accounted for under the "Pooling of interests" method as prescribed by Accounting Standard (AS-14) under Companies Accounting Standard Rules, 2006. Accordingly, the assets, liabilities and reserves of THPL have been taken over at their book values as at April 01, 2008. As stipulated in the scheme, all reserves of THPL have been transferred to respective reserves of the Company.

Accordingly, the amalgamation has resulted in transfer of assets, liabilities and reserves in accordance with the terms of the scheme at the following summarized values:

Particulars	(Rs in Lacs)	
	Amount	Amount
Fixed Assets (Net)		2117.56
Capital Work in Progress		745.95
Investments		0.70
Current Assets, Loans and Advances	4073.62	
Less: Current Liabilities and Provisions	3121.97	
		951.65
Total Assets		3815.86
Less:		
Secured and Unsecured Loans		1774.48
Net Assets Transferred		2041.38
Transfer of Share Premium Account of THPL to Share Premium Account	1167.46	
Transfer of General Reserve of THPL to General Reserve	1.60	1169.06
Consideration for Amalgamation - Issue of 1,36,70,315 Equity Shares to Shareholders of THPL in the ratio of 19 Equity shares of Rs. 10 each of the Company for every 7 Equity Shares of Rs. 10 each of THPL		1367.03
Balance adjusted to Balance in Profit and Loss Account		(494.71)

(iii) In terms of the scheme, the Equity Shares allotted as above rank for dividend, voting rights and in all other respects, pari-passu with the existing Equity Shares of the Company.

(iv) The income accruing and expenses incurred by THPL during the period from April 01, 2008 to March 31, 2009 resulting in a Net Deficit of Rs.27.20 lacs, has also been incorporated in these accounts. During the period between the appointed date and the effective date (i.e. January 8, `2010), as THPL carried on the existing business in "trust" on behalf of the Company, vouchers, documents, etc., for the period are in the name of THPL. The title deeds for leasehold land, building, residential flats, licenses, agreements, loan documents, etc., are in the process of being transferred in the name of the Company. Stamp duty and other levies out of the Scheme of Arrangement, if any, shall be accounted on determination and completion of transfer formalities.

6. Managerial remuneration:

(a) Profit and Loss Account includes payments and pensions on account of Managerial Remuneration for Managing Director as under:

	(Rs.in Lacs)	
	2009-2010	2008-2009
Salary	73.14	32.35
Commission	60.48	-
Contribution to Provident Fund	3.82	1.15
Medical Assistance	0.18	0.15
Leave Travel Assistance	5.12	2.09
Gratuity (Provision)	2.42	0.92
Other Perquisites	7.36	0.15
Total	152.52	36.81

(b) The remuneration as approved by the Remuneration Committee / Board / Shareholders paid/provided to the Managing Director during the year has been considered as the minimum remuneration, resulting in excess of such remuneration over maximum remuneration stipulated under Schedule XIII of the Companies Act, 1956 amounting to Rs. 99.49 lacs due to inadequacy of profits during the year. The Company has filed an application with the Central Government in this regard.



7. Related Party Disclosure:

a) Related subsidiaries, fellow subsidiaries, Companies/Firms, Key Management Personnel:

(Rs. in Lacs)

	Net Balance of Receivable, Payable, Deposits, Loans etc.	Balance Carried to Balance Sheet (Net) as at 31-03-2010		Balance Carried to Balance Sheet (Net) as at 31-03-2009	
		Receivable	Payable	Receivable	Payable
i) Key Management Personnel	Shri Yash Birla –Chairman Shri M.S. Arora -Managing Director				
ii) Enterprises Owned or significantly influenced by key management personnel or their relatives.	1. Dagger Forst Tools Ltd.	---	10.55	---	15.46
	2. Birla Precision Technologies Ltd.	---	47.46	2.63	---
	3. Birla Power Solutions Ltd.	2175.01	---	2580.34	---
	4. Birla AccuCast Ltd.	919.60	---	718.26	---
	5. Birla Global Corporate Pvt.Ltd.	---	9.59	63.16	---
	6. Birla Bombay Pvt.Ltd.	---	18.59	---	43.03
	7. Birla Cotsyn (India) Ltd.	248.53	---	---	1.47
	8. Godavari Corporation Pvt.Ltd.	1057.10	---	287.12	---
	9. Shearson Investment & Trading Co. Pvt. Ltd.	349.03	---	101.77	---
	10. Birla Viking Travels Pvt.Ltd.	---	---	---	0.43
	11. Birla Shloka Edutech Ltd.	---	48.45	---	48.45
	12. Birla International Pvt.Ltd. - Deposit	169.31	---	169.31	---
	- Other	505.35	---	704.02	---
	13. Nirved Traders Pvt.Ltd.	575.45	---	---	0.81
	14. Birla Infrastructure Pvt.Ltd.	1187.80	---	894.66	---
	15. Mounthill Investment Pvt.Ltd.	---	2.09	554.35	---
	16. Sonakshi Consultant Pvt.Ltd.	25.58	---	548.46	---
	17. Asian Distributors Pvt. Ltd.	---	4.43	---	4.43
	18. Melstar Information Technologies Ltd.	2.56	---	---	---
	19. Yash Society	156.63	---	---	---

(b) Transactions with related parties

(Rs. in Lacs)

	Key Management Personnel		Enterprise owned and significantly influenced by Key Management personnel or their relatives	
	31-03-2010	31-03-2009	31-03-2010	31-03-2009
Sale of Goods	---	---	59.09	1880.26
Purchase of Goods	---	---	2.59	440.42
Purchase of Electric Power	---	---	---	28.55
Commission paid	---	---	---	---
Travel Agency	---	---	13.47	13.85
Service charges	---	---	216.00	226.20
Rent Paid	---	---	48.00	7.93
Inter Corporate Deposit - Paid	---	---	1774.49	964.57
Interest received	---	---	547.87	441.58
Inter Corporate Deposit – Recd.	---	---	1229.38	---
Other	---	---	5.64	0.87
Remuneration	152.52	36.81	---	---

Note: Related Party relationship is as identified by the Company based on available information and relied upon by the auditors.

(c) Discloser in respect of material transactions with related parties during the year included in (b) above.

		(Rs.in Lacs)	
		2009-10	2008-09
1	Service charges		
	Birla Global Corporate Pvt.Ltd.	216.00	226.20
2	Inter Corporate Deposit – paid		
	Godavari Corporation Pvt.Ltd.	603.54	-
	Birla Cotsyn (India) Ltd.	250.00	-
	Nirved Trader Pvt.Ltd.	573.59	-
	Shearson Investment & Trading Co. Pvt. Ltd.	222.36	100.00
3	Inter Corporate Deposit – Received		
	Mounthill Investment Pvt.Ltd.	577.47	-
	Sonakshi Consultant Pvt.Ltd.	546.91	-
4	Interest Received		
	Birla Power Solutions Ltd.	210.89	204.26
	Godavari Corporation Pvt.Ltd.	100.84	-
	Birla AccuCast Ltd.	83.71	82.83

8. The major components of Deferred Tax Assets / (Liability) are set out below:

				(Rs.in Lacs)
Particulars	As at 31 st March 2009	Charge/(Credit) during the year	As at 31 st March 2010	
Deferred Tax liability on Account of				
Depreciation	* 255.31	376.34	631.65	
Total	255.31	376.34	631.65	
Deferred Tax Assets on Account of				
Provision for Gratuity	-	146.16	146.16	
Provision for Leave Encashment	-	25.58	25.58	
Total	-	171.74	171.74	
Net Deferred Tax Liability	* 255.31	204.60	459.91	

* includes Rs. 96.61 lacs being adjustment on account of Amalgamation of THPL (Refer Note 5)

9. (i) Advances recoverable in cash or in kind or for value to be received includes:
- Rs. 2148.85 lacs (previous year Rs Nil) for which the Company has entered into deeds of assignment for transfer of debts outstanding and receivable by the Company, to the purchaser of the debts.
 - Rs.9173.23 lacs (previous year Rs 10361.24 lacs) on account of Inter Corporate and Other loans and advances.
- (ii) In the opinion of the Board, Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.



10. During the year 2006-07 the Company made Follow on Public Issue and consequently raised Rs. 120.95 Crore.

The net proceeds of the issue have been utilized for the object of the issue as detailed below:

(Rs. in Crores)

Particulars	Amount
Projected Amount	131.00
Amount Spent till 31 st March, 2010	50.64
Balance amount to be spent	80.36

Pending full utilization, the balance amount is held in Current/Fixed deposit /loans accounts.

11. Computation for Earning Per Share

(Rs. In Lacs)

	2009-10	2008-09
Profit for the Year	910.09	1493.16
Expenses in respect of earlier years	-	(0.48)
Excess/(Short) Provision of Current Tax for Prior Period	18.85	(8.30)
	928.94	1484.38
Profit before adjustments on account of demerger and amalgamation		
Weighted average No. of Equity Share	53,742,859	40,072,544
Earning per share excluding demerger and amalgamation adjustment	1.73	3.70

12. Segment Information

A PRIMARY BUSINESS SEGMENT

Financial information about the primary business segment is presented in the table given below:

(Rs. In Lacs)

	Year to date figures for Current year 31.03.2010	Year to date figures for Previous year 31.03.2009
1 Segment Revenue		
a) Pipes	50,084.25	56,132.38
b) Tools	-	6,989.18
Total :	50,084.25	63,121.56
Less : Excise Duty	2,376.78	4,469.86
Net Sales Income from Operation	47,707.47	58,651.70
2 Segment Results Profit / (Loss) (before tax and Interest) from Segment		
a) Pipes	2,183.78	2,594.46
b) Tools	-	502.84
Total:	2,183.78	3,097.30
Less: Interest (net)	454.07	1,073.36
	1,729.71	2,023.94
Less: Provision for Taxation		
Current Tax	613.70	235.33
Deferred Tax (Net)	204.60	275.78
Wealth Tax	1.32	0.77
Fringe Benefit Tax	-	18.90
Total Profit / (Loss) after Tax	910.09	1,493.16



		Year to date figures for Current year 31.03.2010	Year to date figures for Previous year 31.03.2009
3	Segment Assets		
	a) Pipes	46,515.88	34,780.97
	b) Tools	-	7,638.28
		46,515.88	42,419.25
	Unallocated	10,362.46	11381.59
	Total	56,878.34	53,800.84
4	Segment Liabilities		
	a) Pipes	22,538.20	16,790.84
	b) Tools	-	1,873.59
		22,538.20	18,664.43
	Unallocated	16,192.35	12,662.57
	Total	38,730.55	31,327.00
5	Capital Expenditure		
	a) Pipes	236.21	1467.11
	b) Tools	-	620.07
		236.21	2,087.18
	Unallocated	-	-
	Total	236.21	2,087.18
6	Depreciation		
	a) Pipes	526.59	379.33
	b) Tools	-	122.47
		526.59	501.80
	Unallocated	-	-
	Total	526.59	501.80
7	Non Cash Expenditure		
	a) Pipes	-	-
	b) Tools	-	-
		-	-
	Unallocated	-	-
	Total	-	-
B	SECONDARY SEGMENT - Geographical by Customers		
I	Segment Revenue		
	a) In India	28,834.53	35,898.39
	b) Outside India	21,249.72	27,223.17
	Total	50,084.25	63,121.56



		Year to date figures for Current year 31.03.2010	Year to date figures for Previous year 31.03.2009
2	Carrying Cost of Assets by Location of Assets		
	a) In India	44,967.30	37,482.62
	b) Outside India	1,548.58	4,936.63
		46,515.88	42,419.25
	Unallocated	10,362.46	11,381.59
	Total	56,878.34	53,800.84
3	Addition to Assets and Intangible Assets		
	a) In India	236.21	2,087.18
	b) Outside India	-	-
	Total	236.21	2,087.18

13. The Company has recognised exchange differences arising on long term foreign currency monetary items in line with para 46 of Accounting Standard 11, inserted vide notification No. 43R 22E dated 31st March, 2009 as per Companies (Accounting Standard) Amendment Rules, 2009.

Pursuant to the above, effect of exchange difference on long term foreign currency monetary items, so far as they relate to acquisition of depreciable capital assets, have been adjusted to the cost of such assets and depreciated over their remaining useful lives. Accordingly, net exchange gain relating to the financial year 2009-10 amounting to Rs. 500.07 lacs, has been adjusted to the cost of fixed assets.

There are no long term foreign currency monetary items which require exchange differences to be amortised.

14. A. Subsequent to adoption of the Financial Statements by the Board of Directors on 31st May, 2010, the Board has, on 24th June, 2010, decided to recommend dividend for the year 2009-10, resulting in a consequent revision of the Financial Statements to the extent such recommendation of dividend, would have an effect on the 'Reserves and Surplus' and 'Provisions', for the year ended 31st March, 2010.
- B. The Board of Directors have recommended final dividend of Rs. 2/- per share including on 5,43,57,060 Equity Shares represented by 18,11,902 Global Depository Receipts allotted on 28th May, 2010, subject to the approval of the members of the Company at the ensuing Annual General Meeting. This includes Rs. 1.40 per share, as special dividend, for commemorating the Company's Golden Jubilee year.

15. Previous year figures have been re grouped /recast, wherever necessary. In view of the de merger of the Tools division and amalgamation of THPL the figures of current year are not comparable with corresponding figures of previous year.

16. Significant Accounting Policies followed by the Company are stated in the Annexure "A" appended to the Schedule.

As per our attached report of even date

For **Dalal & Shah**
Firm Registration No.: 102021W
Chartered Accountants

S. Venkatesh
Partner
Membership No: 037942
Mumbai, 24th June, 2010

By Order of the Board

Yash Birla
Chairman

M. S. Arora
Managing Director

Annexure “A” referred to in Note No.16 in Schedule 20 to the Accounts for the year ended 31st March 2010.

CONSOLIDATED STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of Financial Statements:

- i) The financial statements of the subsidiaries used in the consolidation are drawn upto the same reporting date as that of the Parent Company, i.e. for the period ended 31st March. The foreign subsidiary in USA follows January to December as its financial year. In case of the foreign subsidiary, the Company has redrawn its financial statement for the period ended 31st March.
- ii) The Financial Statement have been prepared under the historical cost convention and on the accrual basis of accounting. The accounts of Parent Company and other Indian Subsidiaries have been prepared in accordance with the Accounting Standards prescribed by Companies Accounting Standard Rules 2006, and those of foreign subsidiary have been prepared in accordance with the local laws and the applicable Accounting Standards / Generally Accepted Accounting Principles.

2. Principles of Consolidation:

- i) The financial statements of the Parent Company and its subsidiaries have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balance, intra group transactions and the unrealized profits.
- ii) In Financial Statement of Parent Company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.
- iii) Financial statements of foreign subsidiary is translated into Indian Rupees as under:
 - (a) Assets and Liabilities at the rate prevailing at the end of the period.
 - (b) Revenue and Expenditure at the yearly average exchange rates prevailing during the period.

3. Fixed Assets:

(a) Gross Block:

All fixed assets are stated at cost less accumulated depreciation except free hold land. However, Fixed Assets, which are revalued by the Company, are stated at their revalued book values.

(b) Depreciation/Amortisation:

- (i) The Company provides depreciation on the Straight Line Method, at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.
- (ii) Cost of leasehold land is amortised over the period of lease.

4. Borrowing cost:

Interest and other borrowing costs attributable to acquisition of qualifying assets are capitalized. Other interest and borrowing costs are charged to revenue.

5. Investments:

Investments are stated at cost of acquisition or at book value in case of diminution in value. Current investments are stated at lower of cost and fair value.

6. Inventories:

- a) Raw Material, Raw Material in Process, Semi-Finished Goods, Finished Goods, Goods for Trade and Stores, Spares etc. are valued at cost or net realisable value, whichever is lower.
- b) Goods in Transit are valued at cost to date.
- c) Industrial scrap is valued at estimated realisable value.
- d) 'Cost' comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to their present location and condition. Cost formulae used is weighted average cost.
- e) Due allowances are made for obsolete inventory based on technical estimates made by the Company.

7. Recognition of Income and Expenditure:

- i) Revenues/incomes and cost/expenditure are generally accounted on accrual basis as they are earned or incurred except in case of significant uncertainties.



- ii) Sale of goods is recognised on transfer of significant risks and rewards of ownership which is generally on the dispatch of goods. Export sales are accounted for on the basis of the dates of 'On Board Bill of Lading.
- iii) Export Benefits are recognised in the year of export.

8. Research and Development Expenditure:

Expenditure on Research and Development is charged to revenue through the natural heads of expenses in the year in which it is incurred. Such expenditure is charged to Capital if it results in the creation of capital assets.

9. Employee Benefits:

- A) Short Term Employee Benefits are recognized as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the related service is rendered.

A. Retirement Benefits:

- (a) Retirement benefits in the form of Provident Fund/ Family Pension Fund and Superannuation Fund, which are Defined Contribution Plans, are accounted on accrual basis and charged to the profit and loss account of the year.
- (b) Retirement benefits in the form of Gratuity, which is Defined Benefit Plan and the long term employee benefit in the form of Leave Encashment are determined and accrued on the basis of an independent actuarial valuation applying the Projected Unit Credit Method.
- (c) Actuarial gains/losses arising during the year are recognized in the profit and loss account of the year.

10. Foreign Currency Transactions:

Foreign Currency transactions are recorded at the rates of exchange prevailing on the date of transaction. Monetary foreign currency assets and liabilities outstanding at the close of financial year are revalued at the exchange rates prevailing on the balance sheet date. Exchange differences arising on account of fluctuation in the rate of exchange is recognized in the Profit and Loss Account, except to the extent it relates to long term monetary items for acquisition of depreciable capital assets, which is adjusted to the acquisition cost of such assets and depreciated over remaining useful life.

11. Expenses on New Projects:

Expenses incurred on new projects are carried in the Accounts under the head Loans and Advances, until such expenses are written off or charged to revenue in the year in which decision is taken to abandon the project.

12. Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised on timing differences between taxable & accounting income that originates in one period and are capable of reversal in one or more subsequent period(s). Deferred Tax Assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws are recognised if and only if there is a virtual certainty backed by convincing evidence of its realisation. Deferred tax assets on account of other timing differences are recognised on the basis of reasonable certainty about its realisation. At each Balance Sheet date the carrying amount of deferred tax assets are reviewed to reassure realization.

13. Impairment of Assets:

The carrying amount of assets, other than inventories is reviewed at each balance sheet date to assess whether there is any indication of impairment in respect of such assets or group of assets (cash generating unit). If such indication exists, the recoverable amount of such asset or group of assets is estimated. If such recoverable amount of the assets or the group of assets is less than its carrying amount, an impairment loss is reckoned by reducing the carrying amount to its recoverable amount. If there is an indication at the balance sheet date that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount, subject to a maximum of depreciable historical cost.

14. Provisions, Contingent Liabilities and Contingent Assets:

The Company recognizes a provision when there is a present obligation as a result of a past event on which it is probable that there will be outflow of resources to settle the obligation in respect of which reliable estimates can be made. Contingent liabilities are disclosed by way of note to the Financial Statement after careful evaluation by the management of the facts and legal aspects of the matter involved. Contingent Assets are neither recognized nor disclosed.

ZENITH BIRLA (INDIA) LIMITED

Regd. Office : Dalamal House, 1st Floor, 206 Jamnalal Bajaj Marg, Nariman Point, Mumbai -400021.

ATTENDANCE SLIP

DP. Id*

Folio No.

CLIENT Id*

NAME AND ADDRESS OF THE SHAREHOLDER _____

No. of Share(s) held _____

I/We hereby record my/our presence at the FORTY EIGHTH ANNUAL GENERAL MEETING of the Company on Monday, 2nd August 2010 at 3.30 p.m. at Hall of Culture, Discovery of India Building, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai- 400 018.

Signature of the Member/Proxy present _____

*Applicable for investors holding shares in Electronic Form.

PLEASE CUT HERE AND BRING THE ABOVE ATTENDANCE SLIP AT THE MEETING

------(TEAR HERE)-----

ZENITH BIRLA (INDIA) LIMITED

Regd. Office : Dalamal House, 1st Floor, 206 Jamnalal Bajaj Marg, Nariman Point, Mumbai -400021.

PROXY FORM

I/We _____
in the district of _____ being a Member/Members of Zenith Birla (India) Limited
hereby appoint _____ of _____
_____ in the district of _____ or
failing him _____ of _____
in the district of _____ as my/our proxy to attend and vote for me/our behalf at the Forty Eighth
Annual General Meeting of the Company to be held on Monday, the 2nd August 2010 at 3.30 p.m.

Signed this _____ day of _____ 2010.

FOR OFFICE USE ONLY
PROXY NO.
LEGER FOLIO
NO. OF SHARES

Signature _____

1 Rupee
Revenue
stamp

Note : The form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the time of the Meeting.

BOOK-POST

If undelivered, please return to:

ZENITH BIRLA (INDIA) LIMITED

Vedant Commercial Complex, Bldg. No. S-2,
2nd Floor, Vartak Nagar, Pokhran Road No. 1
Thane (West), 400 606.
Tel. No.: 6793 3000, Fax No.: 6793 3111