STRENGTHENING OUR CORE

HIMADRI CHEMICALS & INDUSTRIES LTD. | ANNUAL REPORT FY 2013

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MILESTONE

BUSINESS DRIVERS

CORPORATE SOCIAL RESPONSIBILITY

Forward-looking statements

In this annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

In 2012-13 Himadri Chemicals & Industries Limited was faced with two alternatives. Accept the industry reality and wait for things to improve. Or strengthen its competitive advantage and prepare itself for an imminent sectoral rebound.

As a forward-looking company, Himadri invested in additional capacity, deeper integration and enhanced efficiency with the objective to strengthen its business model and competitiveness.

Strengthening its core.

Himadri Chemicals & Industries Limited (Himadri) is more than just a coal tar pitch manufacturing Company.

- It is the largest in its sector in India.
- It is among few extensively integrated companies in its space anywhere in the world.
- It is engaged in the downstream manufacture of carbon materials and chemicals.

- It has seven manufacturing facilities across India and one in China.

The result: Himadri reported a CAGR in revenues of 36% in the four years leading to 2012-13.

Higher than the growth of the country's GDP, higher than the growth of its downstream sectors and higher than the growth of its industry.

About us

Himadri was incorporated in 1987 and commenced business in 1990. The Company is headquartered in Kolkata (India).

The Company leverages its extensive knowledge of carbon management with the objective to create value-added products.

Presence

Domestic: The Company has four manufacturing facilities in West Bengal and one manufacturing facility each in Vishakhapatnam (Andhra Pradesh), Korba (Chattisgarh) and Vapi (Gujarat),.

International: The Company has one manufacturing facility in Shandong province (China).

The Company's shares are listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) with a market capitalisation of around ₹ 478 crore (as on 31st March, 2013).

Vision

To become a globally acclaimed leader in carbon products by adopting appropriate eco-friendly technologies and enhancing core capabilities through continuous product improvement, technical innovation and customer satisfaction.

Mission

- Ensure customer satisfaction through the delivery of global standards of excellence by strengthening core competencies in developing best-in-class products, processes and people
- Be a cost leader while adhering to corporate responsibility towards the country, unlock the potential of all employees and encourage them to excel in their professional, personal and social lives
- Protect the environment, maintain high levels of safety and address social concerns in the regions of our operations

Product and facilities

Coal tar pitch: Complex chemical with 22 chemical and physical properties obtained through coal tar distillation.

Principal Products	Aluminium grade pitch Graphite grade binder pitch
Coal tar distillation	Graphite grade zero Quinolene Insoluble (QI) coal tar impregnating pitch Naphthalene Light creosote oils Wash oil/ wood preservative oil Anthracene oil/ Carbon black oil
Carbon black	Carbon black
Advanced carbon material	Standard synthetic graphite (SSG) High power graphite (HPG) Carbonised pitch
Corrosion protection	Himcoat enamel Himcoat Primer-B Himtape Himwrap
Sulphonated Naphthalene Formaldehyde	Benton SP-011- liquid and powder form
Power	Power

Revenue growth

36% CAGR

four years leading FY2013

Net worth

₹ 901.51 crores

As on 31st March 2013

Book Value

₹ 23.37

per share (face value ₹1 / share)

As on 31st March 2013

Promoters' holding

44.63%

As on 31st March 2013

Mission: Be a cost leader while adhering to corporate responsibility towards the country

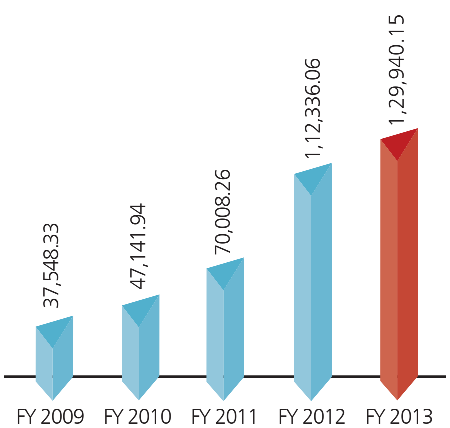
The Company has four manufacturing facilities in West Bengal and one manufacturing facility each in Vishakhapatnam, Korba and Vapi

Mission: Protect the environment, maintain high levels of safety and address social concerns in the regions of our operations

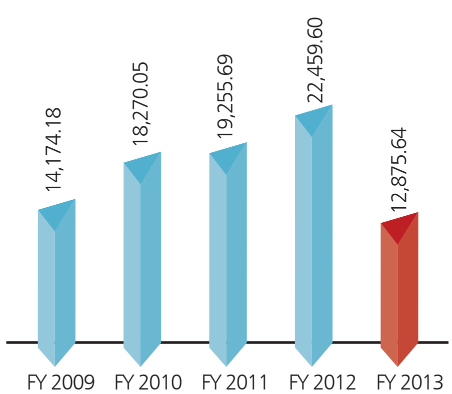
Our vision is to become a globally acclaimed leader in carbon products

5-YEAR FINANCIAL HIGHLIGHTS

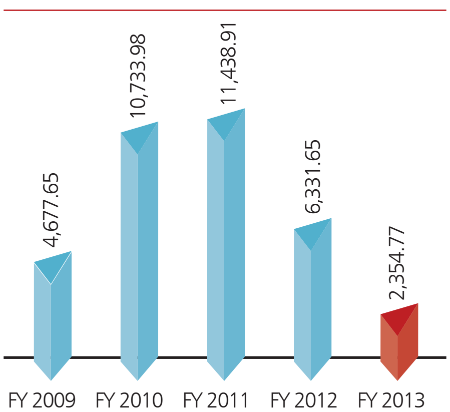
Revenues (₹ in lakhs)



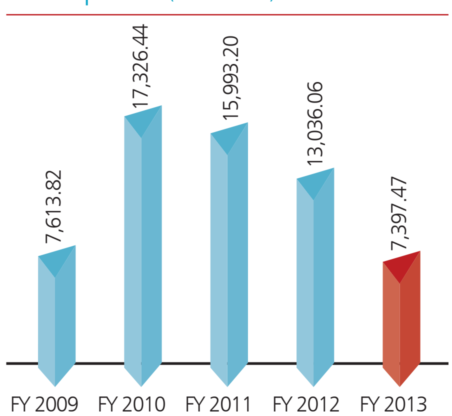
EBIDTA* (₹ in lakhs)



Profit after tax (₹ in lakhs)

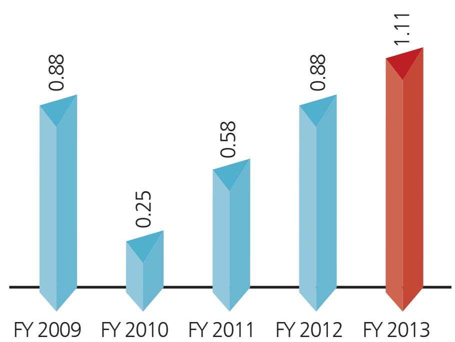


Cash profit (₹ in lakhs)

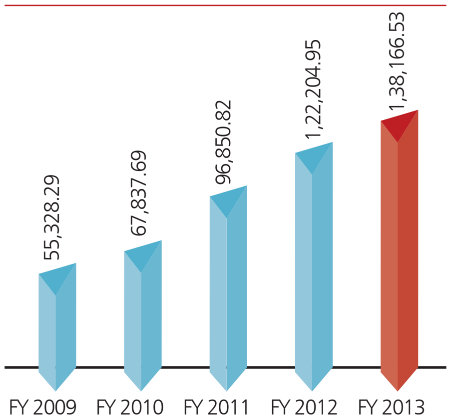


*EBIDTA is calculated by excluding the effect of foreign currency loss/gain and other income

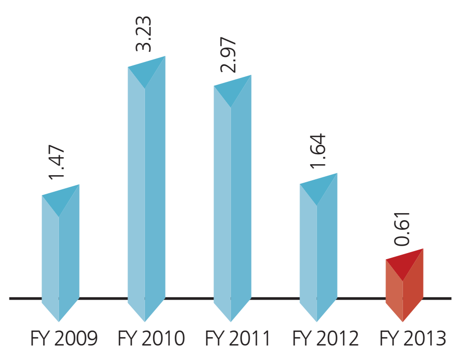
Net-debt equity ratio (No. of times)



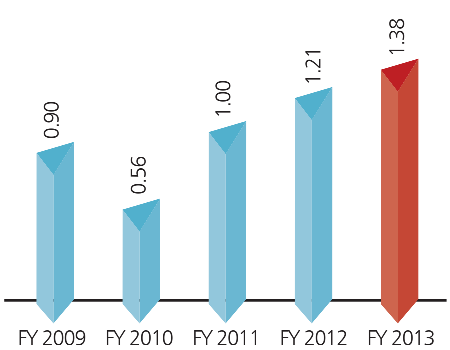
Gross block (including capital work in progress) (₹ in lakhs)



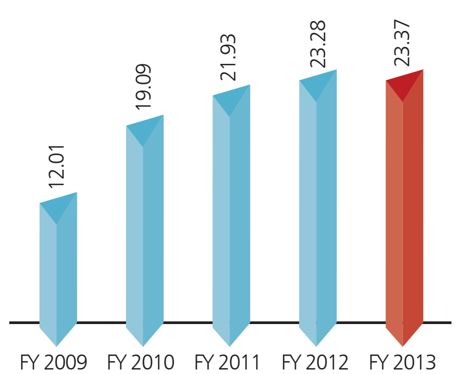
Earnings per share (₹)



Debt-equity ratio (No. of times)



Book value per share (₹)



MILESTONES

- Commissioned distillation plant in Howrah
- Established new unit at Vishakhapatnam

Merged Himadri Ispat Limited into the Company

2004

Commissioned a new distillation plant at Mahistikry, Hooghly

2006

Increased the production of downstream products including naphthalene

2007

Established a pitch melting plant at Korba

2008

Started the production of advanced carbon materials

2009

- Acquired an SNF plant at Vapi
- Commissioned production of carbon black
- Commissioned a power plant

2010

- Completed additional expansion of the coal tar pitch plant in Mahistikry
- Completed the capacity expansion of SNF in Vapi

2011

- Recognised as a research and development centre by the Government of India
- Began several capacity expansion projects - carbon black, SNF and power plant at Mahistikry
- 100% export-oriented unit in Falta SEZ for advanced carbon material and a coal tar pitch plant in China

2012

- Completed expansion of carbon black and power plant in Mahistikry
- Commissioned production of SNF in Mahistikry
- Commissioned production of advanced carbon material in Falta, SEZ
- Commissioned production of coal tar pitch in China

2013

- Completed brownfield expansion of the power plant; capacity increased from 12 MW to 20 MW
- Greenfield project was set up to handle and store liquid pitch at Longkou port (China)
- A brownfield project was initiated to expand the Company's coal tar distillation capacity in India by 60%; the facility is expected to commence operations during FY2014

THIS IS WHAT WE ACHIEVED IN FY2013

Financial highlights

- Consolidated revenues increased

18.2%

From ₹

1144.75

crores in 2011-12

To ₹

1353.31

crores.

Operational highlights

- Plant in Longkou (China) became operational; production commenced
- SNF plant commissioned in Mahistikry
- The Carbon black plant expansion was integrated with the existing capacity

The Company continued to grow its capabilities and capacities even as it continued to counter the showdown

Marketing highlights

- Benchmarked SNF quality with the best global standard to cater to international customers
- Marketed SNF in Bahrain, Singapore and UAE
- Globally marketed coal tar pitch manufactured at its China facility
- Himadri marketed quality carbon black among the tyre and non-tyre segments (domestically and globally).

OUR BUSINESS MODEL

Himadri Chemicals entered the business of coal tar distillation when this business segment in India was largely unorganised and the steel and aluminium (downstream sectors) sectors were relatively under-penetrated compared with the respective global industrial benchmarks.

1

Geographic focus

Himadri has operations in India and China.

The Company generates approximately 96% of revenues through its Indian operations; it expects to generate increased revenues through international (China) operations over the next couple of years.

2

Green business

Himadri is an environmentally responsible manufacturer focused on making proactive investments in equipment, people and processes with the objective to reduce effluents and emissions well below statutory standards.

3

Product selection

Himadri selects to manufacture products through an established criterion. Himadri's decision to manufacture a product is based on demanding chemistry characteristics, which serves as a competitive barrier for other players. The Company's products address critical and precise applications, translating into customized manufacturing. The intensive nature of chemistries is evident in a long vendor appraisal and engagement tenure.

4

Space selection

Himadri selects to manufacture products that address either large moderately-growing spaces or nascent fast-growing applications in large downstream spaces. The Company capitalizes on these opportunities either through the most competitive price-value proposition or customized product manufacture to enhance customer satisfaction.

5

Status and scale

Himadri selects to enter niche business spaces, providing it with the scope and space to emerge among the largest manufacturers in the world. This scope is then corresponded by proactive investments in capacities to service growing demand through the adequate and timely supply of inputs to customers. In turn, this investment in capacity provides the Company with attractive economies of scale leading to competitive manufacture.

6

Integration

Himadri's business model is pegged around aggressive integration where one product serves as the raw material for another product. This makes the Company unique within its sectoral space in the world. The Company's entire range of products has been prudently structured with an inbuilt interdependence. The result is that the products are either consumed internally by the Company to manufacture downstream products or marketed to customers. The captive manufacture makes it possible to provide customized products of the right quality at a considerably lower cost. This further enables the Company to deliver products to customers at competitive prices.

7

Synergic approach

Himadri was engaged in the manufacture of more than 10 products towards the close of FY2013 compared with only two about a decade ago. Over the years, the Company has selected to grow its portfolio in synergic products through its deep understanding of the product and process. This enables the Company to leverage its existing relationships to acquire a larger share of the market. More than half the Company's revenues in FY2013 were derived from products that did not exist in its portfolio five years ago.

8

Customer focus

Himadri is a company with operations focused on achieving growth and customer satisfaction. The Company has maintained long-term relationships with large credible customers through the efficient delivery of a significant proportion of their requirements. The Company's production capacities are adjacent to customer facilities, minimizing transportation costs. The Company supplies coal tar pitch in liquid form, which is a distinctive advantage. The result is reflected in the virtual absence of credit defaults and customer attrition.

9

Aggressive investments

Himadri believes in the planning and execution of long-term strategic plans. The Company has progressively invested in capacity expansion, hiring talented individuals and implementing latest technologies even during weak economic cycles. Despite difficult economic conditions in FY2013, Himadri invested in the capacity expansion of coal tar pitch and technology upgradation across various processes.

10

Financial discipline

Himadri recognizes that the most credible foundation is a robust Balance Sheet. The Company had a net worth of ₹ 901.51 crores and a book value of ₹ 23.37 per share as on 31 March 2013; net gearing stood at 1.11 and interest cover at 3.51 in FY2013.

STRENGTHENING OUR CORE IN A CHALLENGING DOWNTREND

The increase in core distillation capacity will enhance the throughput of byproducts

DURING AN ECONOMIC SLOWDOWN, A COMPANY OPERATING IN THE BUSINESS OF COAL TAR DISTILLATION WAS FACED WITH ALTERNATIVES; DELAY CAPITAL EXPENDITURE TILL THE ECONOMY REVIVED OR INCUR FRESH CAPITAL EXPENDITURE AND PREPARE FOR THE FUTURE.

Himadri selected to proactively invest in capacity expansion during the year under review. This differentiated and aggressive approach of the Company was based on the following rationale:

Firstly, this is not the first time that the Company invested in capacity addition during the downturn. Each time the Company made such a proactive investment, the payback proved attractively quicker when the market rebounded.

Secondly, during the downturn, equipment and contractor rates were moderate and vendors delivered equipment on schedule. The combination of these two enabled the projects to be commissioned on schedule and at budgeted costs.

Thirdly, aluminium manufacturers are on the verge of commissioning their large smelters, which will require large and immediate quantities of coal tar pitch. As a proactive customer-focused Company, Himadri believes that it would be prudent to be slightly early with products in a challenging marketplace than to compel customers to look for alternatives. Besides, having material on hand will enable the Company to build a strong customer relationship with significant long-term revenue potential.

Lastly, the increase in core distillation capacity will enhance the throughput of byproducts that will make it possible for each of these products to enjoy superior economies of scale, translating into higher respective surpluses.

As a result, we see the proposed investment in distillation as an initiative that will enhance the Company's competitiveness and margins over the foreseeable future.

Himadri took the first step towards competitiveness in this challenging segment through the prudent management of its resident core carbon competence

The Company is expanding its distillation capacity by

60%,

which will increase the production of byproducts.

STRENGTHENING OUR CORE TO COUNTER COMMODITISATION

IN THE COMMODITISED BUSINESS OF CARBON BLACK MANUFACTURING, THE COMPANY WITH THE LOWEST OPERATING COST LEADS THE PACK.

Himadri took the first step towards competitiveness in this challenging segment through the prudent management of its resident core carbon competence. This initiative resulted in the use of byproducts for the manufacture of carbon black. This captively available raw material, as opposed to the use of purchased petroleum feedstock, facilitated a reduction in costs and enhanced input availability.

During the financial year under review, the Company embarked on decisively strengthening its competitive advantage. The Company is expanding its distillation capacity by 60%, which will increase carbon black input availability and reduce corresponding purchases.

This increase in the captive availability of input material will moderate the break-even point, increase the operating surplus and strengthen the Company's position as a viable player in a sector primarily dominated by international players with considerably larger capacities.

CHAIRMAN'S STATEMENT

I am pleased to report that Himadri is a large diversified carbon products corporation, the benefits of which were visible in a challenging 2012-13.

Over the years, we selected to grow methodically: we would not engage in considerable investments in unrelated growth areas; on the contrary, we would invest in adjacent business spaces so that the end-product of one business would represent the raw material of the other. We would not stretch our Balance Sheet through large investments; instead we would leverage our accruals combined with debt to grow our business.

Over the years, the combination of scale and integration has translated into a competitive advantage reflected in our margins and revenue growth which are higher than the industry average.

More than just an enhanced viability, we are now a reference point in our sector the world over. We have successfully expanded from a couple of products to nearly a dozen through the prudent leverage of our carbon management competence on the one hand and have become one of the few companies to have successful multi-product industrial complexes at a single facility.

The advantage

This progressive integration has strengthened our de-risking.

Over the years, Himadri Chemicals widened its risk from an excessive dependence on a couple of products to a number of products.The Company leveraged the growth coming out of a handful of sectors to a point where its growth is being driven by the downstream potential of a number of sectors.

What enhances our prospects is that we are not dependent on conventional products; our prospects are linked to an enhanced life quality. For instance, automobiles represent a superior lifestyle proposition for most people across the world; a majority of carbon black is used in the manufacture of tyres used in the production of automobiles and aircraft. The higher the standard of living, the stronger the consumption of carbon black.

This rationale extends to the manufacture of coal tar pitch used in the aluminium sector. Aluminium is a new-age metal; it is replacing a conventional material like steel on account of its lightness, durability and receptivity for diverse applications.

A similar logic underlies our presence in the manufacture of carbon material used in the manufacture of lithium ion batteries. These lithium ion batteries represent a fitting proxy for a modernising world, reflected in their

We at Himadri are confident that there is an optimistic future ahead for coal tar pitch and distillation byproducts.

consumption in laptops and mobile handsets.

This prudent selection of products and spaces represents the basis of our success story. The Company is more than just a producer of industrial products; it is a proxy of a modernising world. The Company is more than a manufacturer of commodity products; it is a proxy for an enhanced lifestyle quality.

Process advantage

At Himadri, we do not just enjoy an advantage of a greater market share; we are also advantageously placed, which provides us with a cost edge – one end-product represents the raw material for another product. This integration makes it possible for us to manufacture products at a cost that is lower than if these products were conventionally manufactured.

Enhanced investment

Given this optimistic background – application and cost - we at Himadri are confident that there is an optimistic future ahead for coal tar pitch and distillation byproducts.

Given this reality, there could have been two ways of addressing the marketplace opportunity. One, to wait for the markets to rebound and then embark on the investment to manufacture those products, thereby missing out on the most lucrative part of the recovery cycle. Two, to invest slightly ahead of the recovery cycle so that one would have the incremental capacity ready for the marketplace as soon as the recovery transpired, making it possible for the Company to enter into new and enduring customer relationships, translating into revenues for the moment and for the foreseeable future.

Outlook

It is with this perspective that we selected to strengthen our core, invest in additional capacities and create a stronger Company even as shareholders may question our foresight in a particularly weak industry environment.

For all those shareholders who may be apprehensive, I have a comforting thought: as an organisation, Himadri Chemicals has invested a number of times during downtrends. While these decisions may have been questioned for their timing, they inevitably generated high returns during market recoveries and resulted in high returns on invested capital, enhancing value in the hands of those invested in our company.

Sincerely,

D. P. Choudhary

Chairman, Himadri Chemicals & Industries Limited

10 MINUTES WITH THE CEO

> "The increase in capacity – the largest ever in a single year and single stage – is in line with the intellectual maturing of our Company." – Anurag Choudhary

Q&A

Q: How would you review the performance of the Company during the last financial year?

A: Prima facie, it would appear to most that the performance of the Company during FY2013 was not up to the mark, reflected in a 42.67% decline in the EBIDTA on a standalone basis in spite of a 15.67% increase in the topline. However, that we reported a ₹73.97 crore cash profit in the most challenging year of our existence indicates the competitiveness of our business model and our competence in being able to see through some of the most challenging industry downtrends without compromising the integrity of our Balance Sheet.

Q: Shareholders will be keen to know the reasons for the unprecedented decline in profits.

A: The decline in the profits of our Company was the result of the concurrent convergence of a number of factors. Firstly, the business of coal tar distillation is largely dependant on raw material resources from the steel industry; during the year under review, the Indian steel industry reported a mere 5.5% growth, which resulted in severe raw material constraints for our Company. Our Company was consequently compelled to import raw material, which increased the cost and also exposed the Company to foreign exchange volatility. The combined effect of both these factors resulted in an incremental cost that could not be passed on to consumers and had to be absorbed by the Company.

Secondly, carbon black experienced a decline in realizations due to the increased

dumping of material from China. This affected the profitability of our business.

Q: Shareholders need to know whether realisations of the core product – coal tar pitch – declined.

A: This proved to be one of the bright spots of a challenging year. Much as everyone feared that there would be a decline in realisations of our principal product, off-take continued at previous levels. The relationship-led model implies that the product is customised, there is a large cost in switching vendors, and vendors need to be adequately remunerated to invest in incremental capacities. This led to an increase in supply, which was in line with growing demand. For years, we have indicated that our business model was based on long-term stability without short-term opportunistic pricing. As a result, our bottomline during the last financial year was affected by factors that were beyond our control.

Q: Shareholders find it surprising that a Company that has reported its biggest profit decline in the current year should have embarked on a 60% capacity increase in its most challenged year.

A: At Himadri, we embarked on an increase in our distillation capacity by 60% during the year under review for some good reasons. Principally, one would like to state that the world is passing through a seminal shift in production capacities of downstream industries. If we do not build capacities to cater to the long-term growing appetite of these sectors and companies, there will always be a possibility that these companies will look elsewhere for their coal tar pitch requirements. Building large preemptive capacities also allows us to address the emerging needs of new entrants in the industry.

Q: Shareholders need to know whether such a large capacity increase was warranted.

A: This is an important question. In our integrated business model, it would be easy to think that integration replaces the need for scale. On the contrary, the integrated nature of the business model makes accelerated scale-creation critical to business success for some interesting reasons. One, the capacity of some of the downstream products that we manufacture is configured around our distillation capacity and not the capacity and economies-of-scale that they need to possess to compete within their respective spaces. Therefore, the increase in overall distillation capacity was necessary to be able to provide a larger byproduct throughput that would enhance their respective economies of scale and address their growing demand in the marketplace. Take carbon black, for instance. Presently the in-house feedstock generation is not enough to meet the requirement of carbon black manufacturing; the increase in distillation capacity in FY2014 will enhance this availability and will strengthen our competitiveness.

Q: What are the other reasons for the large increase in capacity during a downtrend?

A: Much of what we do in our business is in-line with our downstream customers' business models. In this respect, I must point out that the capital expenditure programs of most of our downstream customers have already been incurred. The aluminium output growth was projected at 30% over the last couple of years, but this eventually declined to a mere 3%. We feel that this trend is expected to rebound for some good reasons. Most of our customers are waiting for an improvement in the operating environment to commission additional capacities. This improvement could well be round the corner. LME [London Metal Exchange] aluminium prices of $ 1,770 a tonne do not cover the production cost of most of the smelters and it is only a matter of time that demand and realizations increase. However, with increasing demand, the need for additional coal tar pitch with immediate access is expected. As a proactive supplier, we have embarked on a significant capacity increase so as to coordinate our material supply in a timely manner. We possess the intellectual capital to be able to manage the overall scale on the one hand and the portfolio breadth on the other. The increase in scale will make it possible for us to enhance revenues and profits over

The years ahead will showcase this competence through an increase in our overall scale on the one hand and our ability to introduce three more products (phenolic fraction, refined naphthalene and PEC)

the foreseeable future.

Q: Does the Company expect that there will be an increase in raw material availability?

A: During the slowdown, there was a capex postponement among steel manufacturers. However, during the last couple of years, some large steel manufacturers like SAIL, Bhushan Steel and Tata Steel have gone ahead with their expansion programs, which is expected to translate into increased coal tar availability. So the emergence of two attractive realities of enhanced raw material availability and end product offtake are expected to transform out industry reality for the better. As the largest coal tar distillation Company in India, we expect to benefit most comprehensively from the sectorial rebound.

Q: What is the projected outlook for carbon black in view of the sustained dumping?

A: We expect to counter dumping through a reduction in the delta between Chinese and Indian prices through our increased capacity on the one hand and the rupee weakening on the other. The delta between the US Gulf carbon black feedstock (CBFS), pricing and China based CBFS pricing has narrowed over the last few months, thus Chinese manufacturers of carbon black will no longer be as globally competitive as they were, this will be strengthening our competitiveness.

Q: So what is the big message that you would like to leave with your shareholders?

A: When we had embarked on the 'carbon corporation' positioning a few years ago, there were doubts about how we would achieve this. The years ahead will showcase this competence through an increase in our overall scale on the one hand and our ability to introduce three more products (phenolic fraction, refined naphthalene and PEC) with attractive market possibilities on the other. We expect that this strategy will translate into higher revenues and profits that generate adequate resources for onward reinvestment and overall sustainability.

OUR COMPETITIVE ADVANTAGE

Diverse product portfolio

Himadri's core strength lies in the fact that it is the only Company in India and among a handful in the world with the capability to manufacture the wide range of value-added specialty carbon products. Driven by the presence in such diverse product portfolio, Himadri is able to cater to downstream industries such as metal and steel, automobiles, infrastructure, power generation and lithium-ion batteries.

Scale of operations

Himadri is the largest manufacturer of coal tar pitch in India with more than 65% share of installed capacity. The Company intends to emerge as one of the world's largest in its segment.

Locational advantage

Himadri has three facilities distributed judiciously across the country. The main belt for the production of steel and aluminium is Eastern India and the plants are prudently located near the source of raw material and customers in the eastern part of the country. The Company's facility in China will cater to Chinese and international demand.

Advanced logistics fleet

Himadri has a completely dedicated fleet of 104 temperature-controlled specialized tankers, the largest fleet of its kind in India. These tankers are capable of maintaining a temperature of 220 degrees centigrade to transport liquid pitch to customers.

Core competence
Himadri evolved from a coal tar pitch manufacturer to an integrated specialty 'carbon corporation' through the manufacture of a variety of carbon byproducts and specialty value-added products.

Brand
Himadri has emerged as a preferred vendor of large companies through efficient service and a wide product range for more than two decades.

Technology
Himadri has built a formidable technological superstructure on the foundation of cutting-edge in-house resources. The Company is able to manufacture products benchmarked with globally-accepted standards.

Innovative
Himadri has invested consistently in enhancing R&D capabilities to periodically introduce unique products. It is amongst a few global producers of Zero Quinolene Insoluble (QI) impregnated coal tar pitch and advanced carbon materials.

Quality
Himadri is continuously focused on maintaining high quality standards and process controls to augment in-line production with increasing demand.

Amit Choudhary (President, Projects)

Anurag Choudhary (CEO)

Tushar Choudhary (President, Operations)

INDUSTRY OVERVIEW

Coal tar accounts for ~3.5% of the coke produced. From the process of coal tar distillation, approximately 50-55% of coal tar pitch is derived.

COAL TAR PITCH REVIEW

Processing of coking coal into low ash metallurgical coke in a high temperature recovery-type coke oven plant generates byproduct coal tar. Coal tar is sourced from integrated steel manufacturers who possess captive coke oven batteries. Following distillation, coal tar generates coal tar pitch, a complex industrial product possessing 22 chemical and physical properties. It produces various interim chemical products, which has a significant impact on the quality and cost of metal produced. Even though it accounts for less than 4% of the cost of production, the coal tar pitch quality can impact the quality and cost of the metal produced. Coal tar accounts for ~3.5% of the coke produced. From the process of coal tar distillation, approximately 50-55% of coal tar pitch is derived.

ALUMINIUM

The aluminium industry is the principal consumer of coal tar pitch. Over 400 kgs of carbon is consumed per tonne of aluminium output. Aluminium enjoys a strong demand despite high inventory levels of the metal, and will be further buoyed in the coming years with the increased use in the automotive and aerospace industries. Demand in India is growing at 11-12% per year compared to the global average of about 7.5%. Aluminium consumption is expected to reach 5 million tonnes by 2015 and 10 million tonnes by 2020. Coal tar pitch represents 3.5-4% of the total cost of production of aluminium. The cost of anode represents ~15% of the total cost of production of aluminium (on a per MT basis)

Met coke consumption in India is set to almost double to 45 million tonnes and forecasted to reach 85 million tonnes per annum by 2020.

STEEL

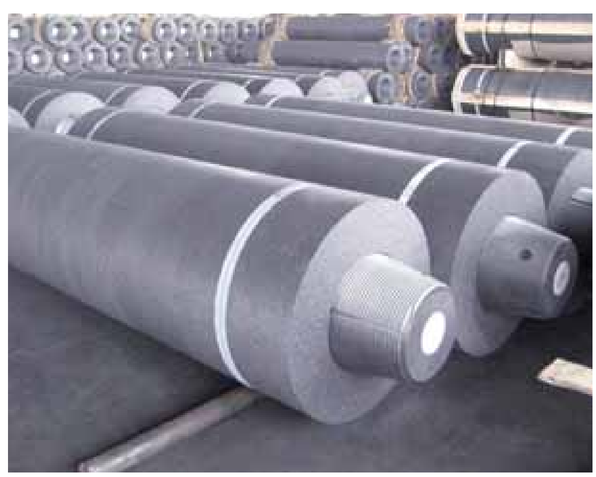
The steel industry is a consumer of coal tar pitch and also a generator of coal tar (raw material). India (the world's fourth largest crude steel capacity) is expected to become the second largest producer of crude steel in the world by 2015-16. India's steel making capacity is estimated to exceed 100 million tonnes (MT) by 2013 and the production is expected to reach 200 MT by 2020. Met coke consumption in India is set to almost double to 45 million tonnes and forecasted to reach 85 million tonnes per annum by 2020.

Particulars	2006	2007	2008	2009	2010	2013F	2015F	2020F
Indian steel production	49	53	58	63	67	120	150	200
Indian met coke consumption	21	22	23	24	25	45	50	85

Source: World Met Coke Market and Future Pricing

GRAPHITE

Graphite is an allotrope of carbon. The graphite industry is another prominent coal tar pitch consumer, accounting for ~13% of coal tar pitch production globally, while coal tar pitch requirement in graphite production is 40-42%. Himadri is India's largest coal tar pitch manufacturer. It is also among a few global manufacturers to possess an integrated specialty carbon complex. The Company distills coal tar across four locations in India and in China to manufacture coal tar pitch. The Company is among a few companies in the world to manufacture Zero QI impregnation coal tar pitch and advanced carbon material, which are value-added carbon products.



ADVANCED CARBON MATERIAL

Rechargeable lithium-ion batteries (LIBs) are playing a critical role in the realm of energy storage technologies. Due to their diverse advantages, including high gravimetric and volumetric capacity, high rates of power and low weight, LIBs have been successfully used in various portable electronic devices and mobile applications. With the ever increasing power requirements for real-life applications and environment concerns, it is imperative to improve the performance of electrode materials and reduce costs. Himadri is one of the few companies in the world to develop the technology to manufacture high-quality advanced carbon material with downstream applications in the manufacture of lithium-ion batteries.

Asia accounts for 61% of the world's carbon black capacity with China alone accounting for 38%.

CARBON BLACK

Carbon black is a pure elemental carbon in the form of turbo-static colloidal particles. It is manufactured through the incomplete combustion/ thermal decomposition of gaseous or liquid hydrocarbons under controlled conditions.

It is a black, finely divided powder (small pellet) that finds application across multiple chemical industries, such as reinforcing material, plastics, coating, inks, batteries and conveyor belts. The rubber industry accounts for the consumption of around 90% of the world's carbon black production.

Asia accounts for 61% of the world's carbon black capacity, with China alone accounting for 38%. In the past decade, the Asian carbon black production capacity reported an average annual growth rate of 10%. The market share of the domestic industry declined compared to the base year as well as in the most recent period, whereas the share of imports increased significantly. India's consumption of carbon black is growing 8% per year. Around 95% of the carbon black is consumed by the country's emerging rubber industry. The use for paints is a much smaller market segment. The report expects the demand for carbon black to grow about 9-10 per cent over the next five years. The increase will be largely driven by a recent growth of India's automotive and tyre industries but also by the infrastructural improvements.

Himadri commenced carbon black manufacture at its Mahistikry plant in July 2009. The Company produces various carbon black variants that find applications in non-rubber and rubber industries.

SULFONATED NAPHTHALENE FORMALDEHYDE (SNF)

Himadri is India's largest PNS/SNF manufacturer with an installed capacity of approximately 68,000 tons per annum. In 2009, the Company began manufacturing SNF through the acquisition of a plant at Vapi (Gujarat). The Company produces SNF in liquid and powder forms, which find application in the production of ready-mix concrete. SNF enhances strength, fluidity and rationalises the overall consumption of cement. The product is also used as a dispersing agent in diverse industries like agro-based, dyes and leather.

In FY2011, the Company increased SNF capacity by 125%. The Company also set up a greenfield project at Mahistikry (commissioned in FY2012), which increased the Company's SNF capacity by 278%.

The Company enjoys economies-of-scale due to its backward integration initiative, which reduced logistic costs. More than 60% of the raw material cost of SNF is derived from naphthalene (also manufactured by the Company).

BYPRODUCTS

The Company built a strong presence in this niche on the basis of strong research and technological insights leading to the manufacture of a host of derivatives derived from coal tar distillation.

NAPHTHALENE

Naphthalene is a by-product of coal tar distillation and used in Sulfonated Naphthalene Formaldehyde, dye and organic compound intermediates in fine chemicals, pharmaceuticals, beta naphthol, phthalic anhydride, tanning agents, moth balls and domestic disinfectants. The Company added value to this product through the manufacture of Sulfonated Naphthalene Formaldehyde.

More than 60% of the raw material cost of SNF is derived from naphthalene (also manufactured by the Company).

HIMCOAT ENAMEL

This coal tar-based thermoplastic polymeric coating is produced from the plasticisation of coal tar pitch, coal and distillates, followed by the addition of inert fillers. This product is used as a corrosion protection agent for underground and offshore pipelines. The product manufactured by the Company conforms to BS 4164, AWWA C203 and IS 15337 (2003) standards. The enamel coating provided by Himadri enjoys the following advantages:

- Permanent corrosion protection and resistance to soil bacteria and marine organisms
- Reduced moisture absorption and inert to soil chemicals
- Better electrical insulation
- Insoluble in any organic solvents
- Superior adhesion to metallic surfaces
- Unmalleable under soil pressure
- Enhanced flexibility and resistance to high temperatures
- Resistant to cathodic disbanding

HIMCOAT PRIMER- B

This product has a chlorine-based synthetic primer, modified and adjusted with plasticisers and stabilisers and blended with special solvents. This product conforms to BS 4164 and AWWA C203 standards and is compatible with Himcoat Enamel TM. This product finds diverse uses like providing protective coating in oil and gas pipelines, tanks, fire hydrant lines etc. The primer manufactured by the Company has the following advantages:

- It can be used irrespective of any season and can dry quickly under all climatic conditions
- Its free-flowing property permits coverage of 10-12 sq. mt. per litre on new pipe surfaces. Around 10 – 20% extra is required for old pipes. The product has no taste and odour, making it usable for the inside coating of pipes
- It is fast-drying and bonds tenaciously with metallic surfaces.

HIMTAPE

This specially formulated plasticised coal tar coating is completely saturated and bonded to both sides of high tensile strength fabric. It is used to protect underground gas, oil and water pipelines and buried metal surfaces from corrosion and electrolysis. The product conforms to AWWA C203 and IS 15337 (2003) standards. Its application is similar to that of Himcoat Primer and provides the following extra advantages:

- Easy-to-use and provides an uniform and thick coating
- Resistant to water, electricity, petroleum and alkaline products etc
- Enhanced flexibility and resistance to high temperatures and also does not affect the environment in any adverse manner whatsoever
- Superior adhesion to metal surfaces

The product enjoys enhanced flexibility and resistance to high temperatures and also does not affect the environment adversely.

HIMWRAP

This fibreglass tissue is impregnated with plasticised coal tar enamel and dusted with inorganic parting agents, preventing it from sticking to the roll. It conforms to AWWA C203 and IS 15337 (2003) standards. It provides complete underground pipeline protection from soil-related stresses, pipe shifts, moisture, bacterial and root growth. The product is rust-proof, possesses high tensile strength and keeps porosity in check.

KEY ATTRIBUTES

SNF	Naphthalene	Himcoat Enamel	Himco at primer-B	Himtape	Himwrap
-Enhances strength and fluidity; rationalises cement consumption in ready mix concrete -Used as a dispersant agent in dyes, leather and agro industries.	-Used in manufacturing SNF -Used in dyes and organic compound intermediates -Used in moth balls and domestic disinfectants	-Permanent corrosion protection -Reduced moisture absorption -Insoluble in hydrocarbon -Resistant to cathodic disbonding -Highly flexible	-Fast drying -Higher coverage capacity -Tasteless and odourless -Can be used to coat pipes from inside	-Easy to use -Uniformity in thickness -Water resistant -Ability to sustain high temperatures -Excellent adhesion to metal surface	-Rust proof -High tensile strength -Porosity resistant

Business driver-1

Raw material management

In the business of coal tar distillation, the low cost and adequate procurement of raw material from the steel industry are the major determinants for growth.

FY2013 overview

During the year under review, the Company's performance was impacted by a decline in the availability of raw material as a result of lower capacity utilization and delay in the commissioning of coke oven batteries by steel plants. This made it necessary to import at a higher cost.

Key initiatives

- Enhanced storage capacity to ensure an uninterrupted material supply
- Set up storage infrastructure in Rourkela with proximity to railway rack loading facility
- Insulated tanks with temperature-control measures to reduce raw material processing time and enhance productivity
- Procured raw materials from China to strengthen input availability

Business driver-2

Quality

In the business of coal tar distillation, quality plays a critical role as even minor deviations can affect the quality of the end products.

FY2013 overview

The Company developed proprietary tests to enhance product effectiveness and value, reinforcing its respect as a quality-driven

Key initiatives

- The Company customized its product to the evolving needs of customers
- The Company's plants were certified with ISO 9001:2008 and ISO 14001:2004 accreditations
- All the operations were woven around statistical process control leading to operational consistency
- The Company's processes (raw material procurement to finished product manufacture) were tested in line with stringent ASTM standards
- The Company conducted a routine check of 22 quality-influencing parameters. The Company has on its payroll a capable and experienced lab team translating into a distinctive competitive advantage.

Himadri invested ₹ 703.29 crores in its business in the three years leading to 2012-13.

Business driver-3

Intellectual capital

In a business woven around a deep carbon competence, the critical competitiveness driver is the ability to leverage knowledge with the objective to generate related products, reduce costs and enhance quality.

FY2013 overview

During the challenging FY2013, the Company leveraged its knowledge to reduce operational costs, enhance quality and operate plants at high capacity utilization.

Besides, the Company has leveraged its insight into industry cycles and competitive capital cost management to embark on the largest capacity increment in a single year. The Company enriched its people resources to achieve its organisational objectives.

Key initiatives

- Carved out a niche by becoming one of the few companies globally to develop Advanced Carbon Material used in lithium-ion batteries
- Made a strategic investment to procure a tail-gas recovery system to generate power
- Explored new technologies to develop more value-added products from coal tar (anthraquinone, carbozole, phenolic fractions, quinoline products, indene and fluorine)
- Introduced a performance-based employee appraisal and reward system; streamlined the feedback module
- Formulated plans to introduce Employees Stock Option Plan to enhance employee engagement
- Himadri invested ₹ 703.29 crores in its business in the three years leading to 2012-13.

Business driver-4

Supply chain management

In a business where it is critical to keep up a supply consistency that makes it possible for customers to run their production lines, success is derived from the ability to manage the supply chain.

FY2013 overview

Over the years, the Company provided liquid pitch in specialised tankers. The Company rationalized logistic costs by using railway network instead of the roadways, facilitating seamless and the time-efficient transportation of products.

The Company located storage tankers at various locations pan-India (including ports) to reduce logistic costs and time.

The Company commissioned a liquid pitch terminal in China to facilitate global exports and also rationalize the cost of imports.

The Company selected to locate its various plants proximate to the large plants of downstream customers.

Key initiatives

- Formed a dedicated transportation fleet for the specialised movement of liquid pitch; increased fleet size to address rising demand
- Established a pan-India presence with adequate road and rail connectivity
- Strengthened its dedicated fleet of temperature-controlled tankers capable of carrying liquid coal tar pitch without jeopardising product quality
- Commissioned a plant in China to facilitate exports

Business driver-5

Marketing

In a business where products enjoy applications across diverse industries, it is imperative to market products widest across sectors and geographies.

FY2013 overview

The Company enhanced throughput across product lines. As a marketing strategy, the Company supplies samples from its Chinese plant to various customers across continents as a part of a lengthy product approval process.

The Company increased SNF capacity manifold, which made it important for the marketing team to enhance sales. The Company is focusing on the export of SNF in liquid form. Himadri also strengthened its pan-India carbon black distribution network.

Key initiatives

- The Company strengthened timely product delivery
- Established a pan-India and global presence, enhancing its service standard
- Helped customers enhance uptime and reduce inventory following timely service

The Company located storage tankers at various locations pan-India (including ports) to reduce logistic costs and time.

INDUSTRY OUTLOOK

Indian economy

India's economic growth decelerated for the second year in succession, declining from 6.2% in FY2012 to 5% in FY2013, the slowest growth in the last decade. India's industrial output declined to 2.20%, led mainly by a sharp contraction in the manufacturing, mining and capital goods sectors.

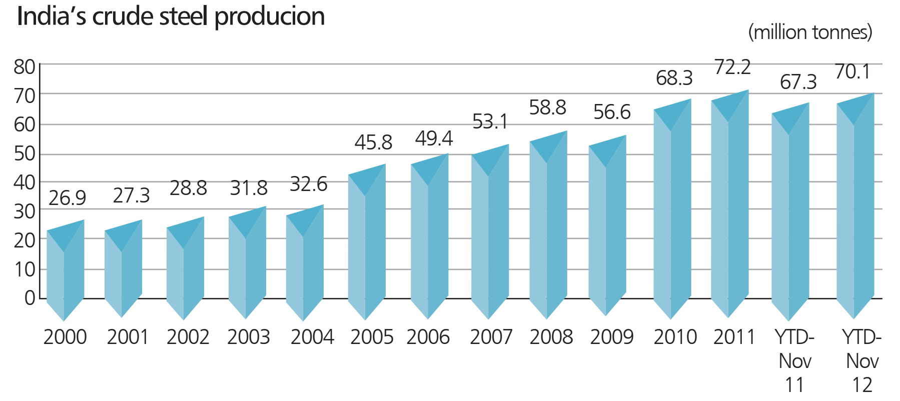
The issues constraining industrial production growth were low investment on account of high interest rates, depreciation of the rupee and inflation. CRISIL estimated that the Indian economy could grow 6.7% in FY2014 due to a consumption revival following acceleration in the agricultural sector (predicated on a normal monsoon), lower interest rates and higher governmental spending.

Steel industry: The Company's prospects (for raw material and end product) are largely dependent on the performance of the steel industry. Compared to the global average per capita consumption of 150 kgs, India's per capita consumption of steel was a around 59 kgs in 2012, constrained by the cost of power and coke non-availability. In FY2013, India's steel sector registered a growth of around 5.5% aggregating to a total demand of around 75 million tonnes. India was the world's fourth largest crude steel producer after China, Japan, and the US. The country's steel consumption is expected to revive as soon as Indian infrastructure spending increases, benefiting companies like Himadri.

> In FY2013, India's steel sector registered a growth of around 5.5 percent aggregating to a total demand of around 75 million tonnes.

Aluminium sector: India was the second largest consumer of aluminium in Asia in 2012. The electrical sector is the principal demand driver for the industry. India's per capita aluminium consumption of around 1.5 kg corresponds to an aluminium demand of 1.8 million tonnes per annum. As per forecasts, the primary aluminium demand in India is expected to reach 10 million tonnes by 2020, which equates to about 6.8 kg of per capita aluminium consumption in 2025.

India's crude steel producion



FINANCE REVIEW

An analysis of the Profit and Loss account (Standalone)

FY2013 highlights

- The total income of the Company increased 16.3% from ₹ 1,14,311.10 lakhs in FY2012 to ₹ 1,32,980.18 lakhs in FY2013.
- EBIDTA dropped by 42.67% from ₹ 22,459.60 lakhs in FY2012 to ₹ 12,875.64 lakhs in FY2013.
- PAT for the financial year 2013 was ₹ 2,354.77 lakhs.

Income from operating activities

The operating profit of the Company decreased from ₹ 22,459.60 lakhs in FY2012 to ₹ 12,875.64 lakhs in FY2013, primarily due to a steep rise in raw material cost. Raw material cost increased mainly due to increase in the cost of imported raw material because of a depreciation in the rupee against the US dollar.

Income from non-operating activities

The non-operating income of the Company, comprising other income, increased from ₹ 1,975.04 lakhs in FY2012 to ₹ 3,040.03 lakhs in FY2013.

Operating expenses

The total expenditure of the Company increased by 23.66 per cent from ₹ 1,06,157.29 lakhs in FY2012 to ₹ 1,31,274.05 lakhs in FY2013.

The items in the operating expenses comprised:

Raw material costs: The cost of raw materials consumed increased by 31.59% from ₹ 80,594.08 lakhs in FY2012 to ₹ 1,06,054.09 lakhs FY2013, due to the import of raw materials at a higher price driven mainly by a depreciation in the rupee against the US Dollar.

Manufacturing and other expenses: The Company's manufacturing and other expenses increased by 8.1 per cent from ₹ 11,745.51 lakhs in FY2012 to ₹ 12,693.38 lakhs in FY2013.

Financial expenses

Total financial expenses for the financial year 2013 increased by 39.2% from ₹ 5,120.09 lakhs to ₹ 7,124.99 lakhs. Interest on term loans, utilized in capital expenditure, was capitalized till the date of commencement of projects and post commissioning of projects, interest was debited to the profit & loss account. Further finance cost increased due to an increase in working capital outlay.

Analysis of the Balance Sheet

Sources of funds Analysis of capital employed (in lakhs)

Segment	FY2012 Amount	FY2012 % of total capital employed	FY2013 Amount	FY2013 % of total capital
Employed				
Share capital	3,857.33	1.9	3,857.33	1.8
Reserve and surplus	85,941.35	43.4	86,294.13	40.2
Networth	89,798.68	45.3	90,151.46	42.0
Loan funds	1,08,264.27	54.7	1,24,249.52	58.0
Capital employed	1,98,062.95	100	2,14,400.98	100

Capital employed

The total capital employed by the Company was ₹ 1,98,062.95 lakhs as on 31st March, 2012 compared to ₹ 2,14,400.98 lakhs as on 31st March, 2013, due to investments in various expansion projects.

Net worth

The Company's net worth as a proportion of total capital employed decreased from 45.3% as on 31st March, 2012 to 42% as on 31st March, 2013.

Share capital

The Company's equity share capital remained unchanged at ₹ 3,857.33 lakhs comprising 3,857.33 lakhs equity shares of ₹ 1 each.

Reserve and surplus

Reserves and surplus increased marginally by around 0.4 per cent from ₹85,941.35 lakhs as on 31st March, 2012 to ₹ 86,294.13 lakhs as on 31st March, 2013.

Loan funds

The total loan funds of the Company was ₹ 1,24,249.52 lakhs as on 31st March, 2013. The net debt (net of cash & bank balances) of the Company as on 31st March, 2013 was ₹ 99,786.80 lakhs. The net debt-equity ratio of the Company was 1.11 as on 31st March 2013.

Secured loans: The secured loans worth ₹ 1,11,252.46 lakhs comprised 89.5 % of the total loan funds. Foreign currency term loan comprised 22.9 %, Rupee term loans 8%, non-convertible debentures 18% and working capital loans 51.1 % of the total secured loans.

Unsecured loans: Unsecured loans worth ₹ 12,997.06 lakhs comprised 10.5 % of the total loan funds. Foreign currency convertible bonds comprised 29.3 %, deep discount debentures 35.6% and others 35.1% of the total unsecured loans.

Application of funds

Gross block: Gross block increased from ₹ 95,017.80 lakhs as on 31st March, 2012 to ₹ 1,06,569.13 lakhs as on 31st March, 2013.

Capital work-in-progress: The capital work-in-progress increased from ₹ 27,187.15 lakhs as on 31st March, 2012 to ₹ 31,597.40 lakhs as on 31st March, 2013 owing mainly to the expansion project of coal tar distillation at Mahistikry, which is in progress.

Investments: The Company's investments decreased from ₹ 27,124 lakhs as on 31st March, 2012 to ₹ 15,694.70 lakhs as on 31st March, 2013.

Working capital: The Company's working capital increased by 21.3% from ₹ 59,114.81 lakhs as on 31st March, 2012 to ₹ 71,730.27 lakhs as on 31st March, 2013. The Company's working capital as a proportion of net sales was approximately 55% as on 31st March, 2013. The Company's current ratio stood at 1.4 for the year ended 31st March, 2013.

Inventory: There was an increase in the inventory levels by approximately 31.7%, from ₹ 30,651.61 lakhs for the financial year 2012 to ₹ 40,360.84 lakhs for the financial year 2013. The inventory cycle increased from 100 days in FY2012 to 113 days in FY2013.

Debtors: As on 31st March, 2013, debtors stood at ₹ 25,283.50 lakhs and debtors' collection decreased from 77 days in FY2012 to 71 days in FY2013.

Loans and advances: Loans and advances increased 7.4 per cent from ₹ 24,233.20 lakhs as on 31st March 2012 to ₹ 26,033.04 lakhs as on 31st March, 2013.

Cash and bank balances: The Company's cash balance (including current investments) as on 31st March, 2013 was 24,462.72 lakhs.

Current liabilities and provisions: Current liabilities and provisions increased by 10.5 per cent from ₹ 66,842.25 lakhs as on 31st March, 2012 to ₹ 73,859.53 lakhs as on 31st March, 2013.

Taxation: During the financial year 2013, there was a tax credit of ₹ 648.64 lakhs as compared to a tax expense of ₹ 1,822.16 lakhs for the financial year 2012-13.

MANAGING BUSINESS UNCERTAINTIES

"Don`t be afraid to take a big step when one is indicated. You can't cross a chasm in two small steps." - *David Lloyd George*

Risk is the manifestation of business uncertainty, affecting corporate performance and prospects.

As a diversified enterprise, Himadri has had a systems-based approach to risk management. A combination of centrally-issued policies and divisionally-evolved procedures has brought robustness to the process of ensuring business risks being effectively addressed.

The senior management periodically reviews the risk management framework to maintain contemporariness and address emerging challenges in a dynamic environment. This prudently balances risk and reward leading to shareholder value growth.

01

Industry risk

Industry risk refers to the risk arising from a decline in industry prospects followed by a reduction in demand.

Mitigation argument

Aluminium production facilities are shifting from the western world to Middle East and Asia, especially in China and India. This is expected to strengthen the demand for coal tar pitch. Besides, the increasing steel capacities in Asia will generate adequate raw material for the coal tar distillation business and will also enhance end product demand. In view of these drivers, the demand side of the business appears attractive.

02

Environmental risk

Failure in compliance with statutory environmental norms could lead to censure or loss of reputation.

Mitigation argument

The Company invested in effluent treatment plants across all its production facilities, minimizing environmental impact. The Company's plants are subject to periodic audits, which have moderated emissions and effluents to well below standard norms. Himadri is certified with ISO 14001:2004, benchmarking its environmental management system with the most demanding global standards. The Company has training programs to raise environmental awareness amongst employees.

03

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate control or failure of processes, people, and systems or from external events. Low equipment uptime and inefficiencies could lead to lower productivity and profitability.

Mitigation argument

Some of the measures taken by the Company include the creation of a raw material and end product storage capacity. The Company invested in training its manpower. The Company analysed probable causes for failure and implemented preventive action.

04

Funding risk

Funding risk arises when the Company is unable to mobilise adequate liquidity to fund operations at the right cost.

Mitigation argument

The cash profits of the Company stood at ₹ 7,397.47 lakhs as on 31st March, 2013. Further, the net debt/equity ratio of the Company at the end of the financial year 2013 was 1.11. The Company enjoyed a satisfactory credit rating from CARE.

CARE reaffirmed following rating:

- "CARE A1+" (A One Plus) assigned for short-term debt. This signifies a strong degree of safety regarding the timely payment of financial obligations.
- "CARE AA-" assigned for long-term facilities. This implies a high degree of safety regarding the timely servicing of financial obligations and low credit risk.
- "CARE AA-" was assigned for non-convertible debentures. This signifies a high degree of safety regarding the timely servicing of financial obligations.

05

Logistics risk

The Company runs the risk of losing customers due to lack of timely delivery of raw materials.

Mitigation argument

The Company's dispersed plants help deliver materials on schedule. These plants are also well connected via rail and road networks. The Company's dedicated fleet of 104 temperature-controlled tankers helps transport liquid pitch to customers in a time-efficient manner. The efficient logistics management ensures that customers can run their plants without downtime.

06

Geographic risk

An excessive dependence on a single geography could affect the performance of the Company in the event of a weaker economy.

Mitigation argument

Nearly 94% of the Company's revenues were derived from India, indicating a significant dependence. The Company expanded its presence internationally through a manufacturing facility in China.

07

Competition risk

This risk refers to a loss in market share as a result of increased competition.

Mitigation argument

Himadri is unique in many respects. The Company is the only one in India with an integrated carbon complex. It is the only Indian Company to manufacture advanced carbon material and Zero QI coal tar pitch. The Company has customized products to develop long-term client relationships. More than a third of the Company's sales were derived from customers having long-term relationship with Himadri. The Company's scale, efficiency and quality represent a competitive advantage that is difficult to replicate.

08

Quality risk

The Company's inability to produce quality products could result in customer loss.

Mitigation argument

The Company's R & D competencies and technology advancements resulted in an improvement in product quality. Its products meet all stringent quality parameters required by customers. The Company interacts periodically with customers to understand requirements and enhance product quality. Its finished products are subject to extensive tests in line with international standards.

09

Currency risk

A downturn in the value of the Indian currency could lead to profit reduction. economy.

Mitigation argument

Any depreciation in the value of INR vis a vis US$ will have direct impact on the profitability of the Company. The Company has forex risk management policy in place; suitable and prudent hedging strategies of various available structures help mitigate these risks.

10

Raw material risk

Irregular raw material supply can hinder production and affect profitability.

Mitigation argument

The Company has a long-term relationship with all major Indian raw material suppliers ensuring consistent raw material supply. The Company's storage capacity ensures that large volumes of raw material can be stored. Captive consumption of one-third of the CTP division's production has reduced issue of raw material shortage. The Company's raw material availability is dependent on the growth of coke oven battery capacity, which from a long-term perspective appears favorable driven by the growth of the steel industry in India. In case of non availability in the indigenous market the Company can import from the global market, but as per the existing terms of the contract, the Company will not be able to pass on the higher cost if any of the imported material to its domestic customers.

COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

The Company is proactive in fulfilling its corporate social responsibility.

During 2012-13, the Company made relevant investments through the following initiatives;

- The Company ran a free dispensary for villagers and employees near its Mahistikry plant
- Organized health, eye camps, blood donation drives and rescue and relief camps for flood-affected villages
- Conducted cultural and sports programmes for the community
- Organized book and uniform distribution campaigns for students and the needy
- Commissioned tube wells to provide hygienic water; funded local schools in various locations
- Initiated the modernization and expansion of schools (700-1,200 children) for economically weaker sections
- Conducted food distribution camps
- Built pucca houses for the underprivileged

Free medical consultation and primary health care service

- Himadri provides medical healthcare to the local community. The Company operates primary health care clinics and medical centers in village Belechonga in the Hooghly district of West Bengal.
- Himadri enjoys tie-ups with select hospitals in Kolkata where, if required, patients can be referred to for free advanced treatment. At the village medical centre, free medical consultations are provided (homeopathy, gynecology, optometry and allopathy).
- The Company's village medical centers distribute free medicines apart from conducting blood donation camps, eye and hernia operation camps for poor villagers.

Free illiteracy eradication and education programmes

- The Company took initiatives in FY2012 to build and upgrade local village schools at Mahistikry from secondary to higher secondary status by constructing a G+2 building from the ground floor upwards, which led to an increase in capacity from 700 to 1,200 students. This included a new building, laboratories, furniture and fittings.

- The Company took initiatives in FY2008 for the distribution of books and clothes to school children of surrounding villages free at the commencement of each new academic session. Needy students were also helped financially to pursue their studies.

Free rural food and cloth distribution programmes

Food and cloth distribution camps are organized throughout the year during key festivals of different communities. Over the years, these camps have benefitted lakhs of needy individuals.

Food and cloth distribution camps are organized throughout the year during key festivals of different communities.

DIRECTORS' REPORT

Dear Shareholders

Your Directors have great pleasure in presenting the 25th Annual Report, together with the audited financial statements and the Auditor's Report of the Company for the financial year ended 31st March, 2013.

Financial Results

The performance of the Company for the financial year ended 31st March, 2013 is summarized below:

(Amount in ₹ Lakhs)

Particulars	For the year ended 31.03.2013	For the year ended 31.03.2012
Gross Turnover	1,46,570.38	1,24,106.25
Other Income	3,040.03	1,975.04
Total Income	**1,32,980.18**	1,14,311.10
Operating Profit	**14,829.30**	20,166.64
Interest and Finance charges	7,905.53	7,572.28
Depreciation	5,217.64	4,440.55
Profit before Tax	**1,706.13**	8,153.81
Provision for Tax		
Current Tax	29.25	6.63
Deferred Tax charge / (Credit)	(677.89)	1,815.53
Profit after Tax	**2,354.77**	**6,331.65**
Add: Surplus brought forward	33,691.04	29,807.70
Surplus available for appropriation	**36,045.81**	36,139.35
Appropriations		
Transfer to General Reserve	–	1,500.00
Transfer to Debenture Redemption Reserve	2,345.00	500.00
Proposed Dividend	385.73	385.73
Corporate Dividend Tax	65.56	62.58
Balance carried to Balance Sheet	**33,249.52**	33,691.04

Dividend

The dividend, as proposed, is in accordance with the Company's policy to pay sustainable dividend linked to long-term performance, keeping in view the capital needs for the Company's growth plans and intent to achieve optimal financing of plans through internal accruals.

The Board is pleased to recommend payment of dividend of ₹ 0.10 per share on 38,57,32,570 equity shares of ₹ 1/- each for the financial year 2012-13, subject to approval of members at the subsequent annual general meeting. The total payout on account of dividend (including dividend tax) will be ₹ 451.29 Lakhs (previous year: ₹ 448.31 Lakhs).

Financial Performance

Total Income of the Company for the year 2012-13 increased by 16.33% to ₹ 1,32,980.18 Lakhs from ₹ 1,14,311.10 Lakhs during the previous year. The EBITDA for the year, excluding the effect of foreign exchange gain/loss, was ₹ 12,875.64 Lakhs as compared to ₹ 22,459.60 Lakhs for the previous year. The Net Profit was down to ₹ 2,354.77 Lakhs from ₹ 6,331.65 Lakhs during the financial year 2012-13.

On consolidated basis, the Total Revenue from Operations of the Company for the year 2012-13 increased by 18.22% to ₹ 1,35,331.54 Lakhs from ₹ 1,14,475.89 Lakhs during the previous year. The EBITDA for the year, excluding the effect of foreign exchange gain/loss, was ₹ 11,701.75 Lakhs as compared to ₹ 22,084.70 Lakhs for the previous year. During the financial year 2012-13, the net profit decreased to ₹ 943.79 Lakhs from ₹ 5,725.40 Lakhs in the previous year.

The Net Profit for the year declined mainly due to increase in input costs, finance cost and higher provisioning for depreciation.

Expansion of Coal Tar Pitch capacity – Mahistikry

The Company has commenced capacity expansion for its distillation plant at Mahistikry for manufacture of Coal Tar Pitch in the financial year 2011-12. The expansion is at full swing and is expected to be completed within the current financial year, enhancing the Company's Coal Tar distillation capacity by sixty per cent.

Subsidiary / Joint Venture

Himadri Global Investment Ltd. (WOS)

Himadri Global Investment Ltd. is the Company's wholly owned subsidiary in Hong Kong. The financial statements of the subsidiary Company, as required under Section 212 of the Companies Act, 1956, are attached herewith forming a part of this report. The Company has reported a Net Loss of HK$ 1,542,035.00 (previous year Profit of HK $ 1, 36,690) for the year ended 31st March, 2013.

Joint Venture in China

Shandong Dawn Himadri Chemical Industry Limited ("SDHCIL") is a joint venture Company in China, in which the Company holds 94% (after injecting capital of RMB 47 million) equity through its wholly owned subsidiary Company, Himadri Global Investment Limited (HGIL). HGIL has extended a loan of RMB 349.13 Lakhs as on 31st March, 2013. During the year 2012-13, the joint venture in China has reported a loss of RMB 171.61 Lakhs.

Windmills

During the year 2012-13, the performance of windmills at Dhule in Maharashtra remained satisfactory and wind energy of 37,93,845 kwh units has been generated as compared to 36,18,177 kwh units of wind energy in the previous year. The revenue generated by the windmills for 2012-13 is ₹ 165.29 Lakhs as compared to ₹ 152.00 Lakhs in previous year.

Consolidated financial statement

In accordance with Accounting Standards AS-21, AS-23 and AS-27, issued by the Institute of Chartered Accountants of India (ICAI) and in compliance with Listing Agreement with stock exchanges, the Company has prepared consolidated financial statements. The Audited Consolidated Financial Statements along with the Auditor's Report thereon forms part of the Annual Report.

Finance

Working Capital

The Company continued to enjoy the working capital facilities under multiple banking arrangements from various banks including State Bank of India, ICICI Bank, The Hong Kong and Shanghai Banking Corporation (HSBC), DBS Bank, Citibank, Central Bank of India, Axis Bank, Yes Bank, Standard Chartered Bank and Union Bank of India. During the year, the Company has been sanctioned additional working capital of ₹ 25 Crores from IndusInd Bank. The Company has been regular in servicing these credit facilities.

Term Loan

During the year 2012-13, the rupee term loan from The Hong Kong and Shanghai Banking Corporation Limited (HSBC) aggregating to ₹ 75 Crores were fully re-paid and the charge / mortgage of these loans have been released and satisfied with the Registrar of the Company.

Capital Expenditure

During 2012-13, there was an addition to capital expenditure aggregating to ₹ 15,961.58 Lakhs (including Capital work in-progress).

Directors

In accordance with the provisions of the Companies Act, 1956, Mr. Bankey Lal Choudhary, Mr. Sushil Kumar Saraf and Mr. Basudeb Sen the directors of the Company will retire from the office by rotation, and being eligible, offer themselves for re-appointment. However, Mr. Basudeb Sen has expressed his unwillingness to be elected as Director of the Company at the ensuing Annual General Meeting of the Company. The Board has placed on record its warm appreciation for the valuable services rendered by Mr. Sen during his tenure as an Independent Director of the Company since August 2010.

Mr. Pavninder Singh was appointed as Additional Director on the Board with effect from 30th October, 2012. Mr Singh, as an Additional Director, will hold office upto the date of the forthcoming Annual General Meeting of the Company. The Company has received notice from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Singh, to be appointed as Director of the Company, at the subsequent Annual General Meeting of the Company. Accordingly, the resolution for appointment of Mr. Singh has been included in the notice convening the Annual General Meeting of the Company.

During the year, Mr. Amit Chandra, the Nominee Director of Bain Capital India Investments, has resigned with effect from 25th October, 2012. The Board placed on record, deep sense of appreciation for his valuable contributions made during his tenure.

The terms of appointment of Mr. Bankey Lal Choudhary, Managing Director, has expired on 31st March, 2013. The Board has re-appointed him for a further period of three years with effect from 1st April, 2013, subject to the approval of members in ensuing Annual General Meeting. The particulars of these Directors seeking re-appointment are given in annexure to the notice.

Directors' Responsibility Statement

As required under Section 217(2AA) of the Companies Act, 1956, your directors confirm that:

i) In the preparation of the annual accounts for the year ended 31st March, 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

ii) The Directors have selected suitable accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;

iii) 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 Company's assets and for preventing and detecting fraud and other irregularities; and

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

Conservation of energy, technology absorption and foreign exchange earnings and outgo

Information on conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be given pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in Annexure "A" to the Directors' Report.

Particulars of employees as per Section 217 of the Companies Act, 1956

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 (as amended vide GSR 289 (E) dated 31.03.2011) is not applicable, as none of the employees, either employed throughout the financial year or part of the financial year, was in receipt of remuneration in excess of the limit prescribed under these amended rules.

Public Deposit

During the year 2012-13, the Company has not accepted any deposits from public within the meaning of Section 58A and 58AA of the Companies Act, 1956.

Auditors

The statutory joint auditors M/s S. Jaykishan, Chartered Accountants and M/s B. S. R. & Co, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received necessary certificate from them to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956 and they are not otherwise, disqualified within the meaning of sub-section (3) of Section 226 of the Companies Act, 1956 for such an appointment. The Auditors' Report and notes on Accounts are self-explanatory and therefore do not call for any further explanation.

Corporate Governance

As per Clause 49 of the Listing Agreement with the stock exchanges, a separate section on corporate governance practices adopted by the Company, together with a certificate from a practicing company secretary confirming compliance, is set out in the Annexure forming part of this report.

Management Discussion and Analysis

A separate report on Management Discussion and Analysis, as required under the Listing Agreements with the stock exchanges is annexed hereto forming part of this report.

Listing on Stock Exchanges

The equity shares of the Company continue to be listed on the Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE). The Company has remitted the listing fee to these stock exchanges, up to date.

The Non-Convertible Debentures (NCD) issued by the Company aggregating ₹ 200 Crores continue to be listed at Bombay Stock Exchange Limited and the Company has been regular in remittance of listing fee to the exchange for such debentures.

Dematerialisation of Shares

There were 37,69,45,779 equity shares of the Company held by the shareholders in dematerialised form as on 31st March, 2013, representing 97.72% of the total paid-up capital of the Company. The Promoters' shareholding has been fully dematerialised in terms of SEBI circular. The Company's equity shares are compulsorily required to be traded in dematerialised form, therefore, members are advised to expedite the process of converting the physical shareholding into dematerialised form through their D/P(s).

Industrial Relations

During the year 2012-13, the employee relations scenario in all the works / units of the Company continued to be cordial. The management has adopted various measures for enhancing efficiency, competency and skills of individual employees through training and motivation. Occupational safety at workplace has been given utmost importance.

Acknowledgement

The Directors place on record, their deep appreciation for the continued support and cooperation extended to the Company by the various departments of Central and State Government, banks, other financial institutions, shareholders, debenture holders, various regulatory authorities, customers and employees of all levels.

For and on behalf of the Board

	Sd/-	Sd/-
Place: Kolkata	**B.L. Choudhary**	**S.S. Choudhary**
Date: 25 May 2013	*Managing Director*	*Executive Director*

ANNEXURE "A" TO THE DIRECTORS' REPORT

Information as per Section 217(1) (e), read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2013:

A. Conservation of energy

Sl. No.	Particulars	
a)	Energy conservation measures taken	The Company continues to give priority to the conservation of energy on an on-going basis and energy conservation measures have been implemented wherever possible. The efforts to conserve and optimize the use of energy through improved operational methods and other means will continue.
b)	Additional investment and proposals if any, being implemented for reduction of consumption of energy	The Company has expanded the capacity of its existing power plant at Mahistikry, Hooghly, W.B. with additional investments. Power is being generated from waste gas. The Company is setting up coal based producer gas plant which will replace the usage of oil as a fuel in manufacturing process in order to reduce the cost of fuel.
c)	Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods	The impact of above measures is expected to reduce the cost of fuel substantially and consequently, the cost of production.
d)	Total energy consumption and energy consumption per unit of production	As per Form A (annexed)

Total energy consumption and energy consumption per unit of production was as under:

F O R M - A

Form for Disclosure of Particulars with respect to conservation of energy:

1. Power & fuel consumption

Sl. No.			Unit	Current Year	Previous Year
i)	Electricity				
	a)	Purchased			
		Unit	Kwh	46,75,126	60,81,607
		Total	₹	6,41,88,298	5,09,34,556
		Rate per unit	₹/Kwh	13.73	8.38
	b)	Own generation through power plant	Kwh	4,28,00,323	4,74,52,230
	c)	Total Units Consumed (a+b)	Kwh	4,74,75,449	5,35,33,837
ii)	Fuel				
		Quantity	Kltrs	254.270	608.920
		Total cost	₹	87,79,735	1,41,48,387
		Average rate	₹/Kltr.	34,529.38	23,235.22
iii)	Diesel				
		Quantity	Ltrs	2,33,810.00	6,92,707.29
		Total cost	₹	1,08,74,515	3,08,72,479
		Average rate	₹/Ltr.	46.51	44.57

2. Consumption per unit of production

	Unit	Current Year	Previous Year
Total production of Carbon Material and Chemicals	MT.	5,17,849	5,07,811
Electricity	Unit/ MT	91.68	105.421
Fuel	Ltrs/MT	0.49	1.200
Diesel	Ltrs/MT	0.45	1.364

B. Technology absorption

F O R M - B

Disclosure of particulars with respect to technology absorption and Research and Development
Research and Development (R&D) and benefits derived thereon

1. **Research and Development department of the Company continued to play a vital role in the following areas:**
   a) Better control in processes for improving quality of output
   b) Finding out ways and means for saving of energy and cost
   c) Development of new products / discovering new methods of analysis
   d) Re-cycling of wastes and research on utilization of waste

2. **Benefits derived as a result of the above R&D:**
   a) Maintenance of leading position in domestic market
   b) Achievement of better efficiency in fuel consumption
   c) Better control on inputs and thereby, improvement in quality of output to match international specifications
   d) Optimisation of resource usage and refinement of process technology
   e) Usage of different combination of inputs in the manufacturing of coal tar pitch with improved quality
   f) Development of a variety of value-added products like Advanced Carbon Material, Super Plasticizer etc.
   g) Recognized as an in-house R&D centre by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India

3. **Future plan of action**

   Exploring new technologies to extract more value-added products from coal tar like Anthraquinone, Carbozole, Phenolic fractions, Quinoline products, Needle Coke, Carbon Fibre, Indene and Flourine.

2. **Expenditure on R&D**

   Capital expenditure as well as recurring expenditure incurred from time to time during the year on laboratory items, tools, spares, handling equipments and salaries of research personnel remain merged with various heads, as per established accounting policy and expenditures incurred during the year under review, on Research & Development are as follows :

   a) Capital expenditure: ₹ 90.84 Lakhs;
   b) Recurring expenditure: ₹ 215.60 Lakhs;
   c) Total Research & Development expenditure: ₹ 306.44 Lakhs;
   d) Total R&D expenditure as a percentage of total turnover: 0.24%

C. Foreign exchange earnings and outgo

	Current Year (₹)	Previous Year (₹)
Total foreign exchange used	891,48,27,283	464,09,32,094
Total foreign exchange earned	80,52,01,241	150,77,12,257
Activities relating to exports; initiatives taken to increase exports; development of new export markets for the products and services and export plans	The Company has taken various measures to increase the export of its products and developed new markets in Nigeria, U.A.E., Senegal, Poland etc.	

For and on behalf of the Board

	Sd/-	Sd/-
Place: Kolkata	**B.L. Choudhary**	**S.S. Choudhary**
Date: 25 May 2013	*Managing Director*	*Executive Director*

MANAGEMENT DISCUSSION AND ANALYSIS

1. MACROECONOMIC AND INDUSTRY OVERVIEW

Indian Economy

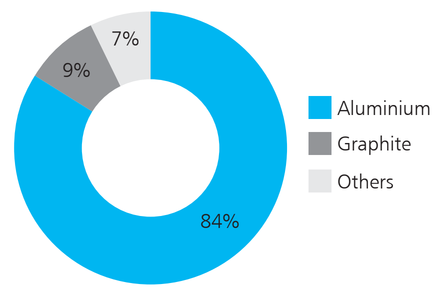
India is one of the fastest growing economies with a GDP growth of 5% for the financial year 2013. Global uncertainties led to a significant deterioration in the economic environment as compared to the last year. The recent depreciation of the Rupee against the US Dollar continues to add to the economic pressures and complexities for the policy makers. These factors continue to impact the key economic growth drivers including the manufacturing, agriculture and services sectors.

Industry Overview

Himadri has a diversified product portfolio with varied end user industries. Coal Tar Pitch, Carbon Black and SNF are the major products of the Company.

Coal Tar Pitch (CTP): Aluminium industry is the key driver of growth in the CTP industry. However, CTP contributes only 2% of the total cost of production of aluminium. CTP is used as a binder in anode manufacturing and anode is a component used in production of aluminium. It is expected that by 2015, aluminium and graphite industries will account for 84% and 9%, respectively of the total CTP consumption.

World Coal Tar Pitch Consumption 2015



During 2010-15, the global aluminium production is expected to grow at a CAGR of 6%. India, Middle East and China are anticipated to be the primary contributors to the growth. Aluminium production in India is expected to grow at a CAGR of 19.6% by 2015, which is highest among all the countries.

Worldwide Aluminium Production (Million Metric Tonnes per Annum)

Countries	2010	2015	(CAGR %)
Africa	1.6	2.2	6.6
China	17.4	25.6	8.0
CIS	4.7	4.9	0.8
Eastern Europe	0.6	0.6	0.0
India	**1.8**	**4.4**	**19.6**
Middle East	3.4	4.7	6.7
North America	4.7	4.9	0.8
Oceania	2.3	2.5	1.7
South America	2.3	2.4	0.9
Western Europe	4.4	5.0	2.6
Total	**43.2**	**57.2**	**5.8**

The increasing production of aluminium is expected to drive the demand for CTP. During the period 2010 -15, the demand for CTP is expected to grow at a CAGR of 5.3%, India is anticipated to be the primary contributor to the growth with a CAGR of 17.4% in the same period. However, currently Eastern Europe and China are the key regions with CTP surplus while Middle East, South America and North America are key deficit regions.

Worldwide CTP Demand (Kilo Tonnes per Annum)

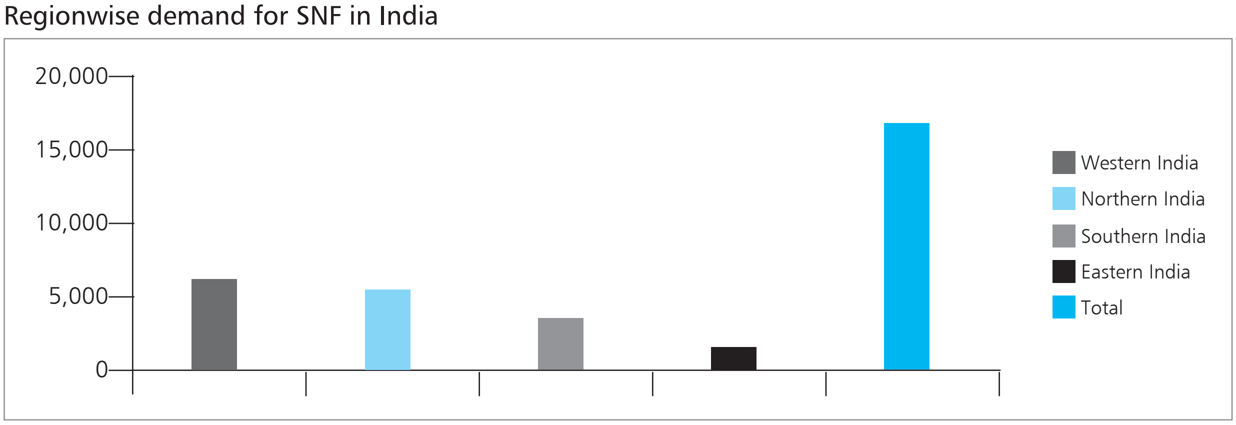
Countries	2010	2015	(CAGR %)
Africa	179	246	6.6
China	1,960	2,817	7.5
CIS	724	767	1.2
Eastern Europe	64	63	(0.3)
India	**193**	**431**	**17.4**
Middle East	314	437	6.8
North America	515	543	1.1
Oceania	252	272	1.5
South America	310	352	2.6
Western Europe	493	556	2.4
Total	**5,004**	**6,484**	**5.3**

In India, 70% of the demand for coal tar is derived from production of aluminium-grade CTP. Around 52% of coal tar is sold externally by steel plants and the rest is consumed internally. The demand for aluminium is expected to grow with a CAGR of 34% during 2012-2015 which will result in an increase of coal tar demand by 33% in the same period.

Carbon Black: Carbon black is one of the major industrial chemicals with applications in coating, conveyor belts, rubber, plastic, printing ink and tyre manufacturing. Carbon black demand is expected to grow at a CAGR of 9% during 2011-2015. Demand for carbon black is primarily dependent on tyre production. The tyre industry is expected to contribute around 58% of sales of carbon black in 2015. Non-tyre industry and exports account for 27% and 15% of the consumption, respectively. According to the Society of Indian Automobile Manufacturers (SIAM), overall automobile sales are expected to grow at 6-8% during FY2014. The moderate growth of the automotive industry due to prevailing unpredectible economic environment has also impacted the growth of tyre industry. Although, the tyre market is projected to have ₹ 600 billion sales in FY 2015. The overall tyre tonnage is expected to grow by 11-12% during the period 2010-15.

SNF: SNF is primarily used by construction sector to increase the strength of concrete and fluidity of cement. SNF demand in India is 17 kilo tonnes per month (KTPM) which growing at rate of 10-15%, primarily driven by use in admixture manufacturing by construction companies. Western and Northern India jointly accounts for approximately 70% of the total SNF demand in India.

Regionwise demand for SNF in India



SNF market in India is characterized by strong competition and currently, a large number of SNF manufacturers operate due to following reasons:

- Limited barriers to entry
- Low differentiation and technology barriers
- Less capital requirements

2. COMPANY BACKGROUND & NATURE OF BUSINESS

The Company's primary business activity involves processing and distillation of coal tar. This also includes production of various value added by-products. Coal tar is produced during the processing of coking coal in coke oven plant which serves as a primary raw material for the Company. Processing of this coal tar results in production of pitch of various grades, which serves as an input for aluminium and graphite industries. Himadri is one of the largest producer and supplier of pitch in India. The Company has seven manufacturing units across India in West Bengal, Gujarat, Andhra Pradesh and Chhattisgarh and one in Longkou, China.

India is one of the leading producers of aluminium in the world with largest reserves of bauxite which offers significant market opportunities for pitch industry. It is evident that the domestic market has shown positive growth in terms of overall consumption of pitch. The Company is well placed to cater to the growing needs of aluminium industry and also earns foreign exchange by exporting surplus to Europe and other eastern countries.

3. FINANCIAL PERFORMANCE

Consolidated Highlights

During FY2013, the consolidated Net Sales increased to ₹ 13,533.2 million with a growth of 18.2% as compared to ₹ 11,447.6 million of the last year. This increase was mainly due to the improvement in volumes of Carbon Black and SNF.

Earnings before depreciation, interest and taxation was ₹ 1,170.2 million during FY2013, with margins of 8.6% as compared to ₹ 2,208.5 million in FY2012. This was impacted primarily due to a steep rise in raw material cost. Other Income which constitutes majorly 'income from investments' has increased from ₹ 181.3 million in FY2012 to ₹ 307.1 million in FY2013.

Profit after Tax was ₹ 94.4 million and was further impacted by mark–to-market loss provided on foreign currency debt on account of depreciation of the rupee against the dollar.

Liquidity

As of March 31, 2013 the Company has consolidated debt of ₹ 12,754.9 million comprising ₹ 6,000.2 million of long term borrowings, ₹ 6,754.7 million of short term borrowings. At the end of FY2013, the Company has cash and cash equivalents of ₹ 2,514.5 million resulting in Net Debt of ₹ 10,240.4 million. Himadri has a leverage of Net Debt/Equity of 1.15x and has maintained its credit rating similar to that of FY2012.

Shareholders' funds

The authorized share capital of the Company is ₹ 700 million with equity share of ₹ 1 each. The paid up share capital as of March 31, 2013 was ₹ 385.7 million unchanged as compared to last year. As of March 31, 2013 Himadri has reserves and surplus of ₹ 8,481.1 million with Net Worth of ₹ 8,866.8 million.

Dividend

For the financial year 2013, the Board of Directors has recommended a dividend of 10 per cent of face value per equity share of ₹ 1 each.

4. BUSINESS STRATEGY AND OPERATIONAL PERFORMANCE

4.1. Joint Venture- China

The Company has set up a greenfield project at Longkou, China for manufacturing coal tar pitch. Himadri has entered into a joint venture (JV) with Shandong Dawn Himadri Chemical Industry Ltd with an equity ownership of approximately 94% through its wholly owned subsidiary, Himadri Global Investment Ltd.

Performance: The plant started operations in Q3 FY2012 with an operational capacity of 50,000 TPA. During the year, the performance of the JV remained subdued due to the prevailing sluggish demand scenario, decline in the realization levels and the poor market penetration. Consequently, the management is continuously focused on taking initiatives and are expecting better results in FY2014.

4.2. Sulfonated Naphthalene Formaldehyde (SNF)

SNF is primarily used by construction sector to increase the strength of concrete and fluidity of cement. It also reduces consumption of cement significantly. SNF is produced in the liquid as well as powdered form. It is also used as a dispersing agent in dyes, leather and agro industries.

Performance: The Company has a total SNF capacity of 68,000 TPA. The performance of the Company's plant for manufacturing of SNF at Mahistikry and Vapi remained satisfactory during FY2013.

4.3. Oil Obtained

The Company has manufacturing facility of carbon black at Mahistikry in West Bengal. Carbon black is produced from oil obtained as a by-product from coal tar distillation process. It is one of the major industrial chemical with applications in coating, conveyor belts, rubber, plastic, printing ink and tyre manufacturing.

Performance: The Company has a total carbon black capacity of 120,000 TPA. During the year, this division performed in line with the management expectations. Carbon black has significant demand in the international market and offers avenues for up-scaling exports. The Company is well placed to capitalize on the arising opportunity.

4.4. Power Plant

The Company has a power plant that utilizes the waste heat gas generated during the manufacturing of carbon black to produce energy/electricity. The Company is focused on making the process of power generation economically viable by operating the carbon black plant at optimal level.

Performance: The power plant has an operational capacity of 20 MW and demonstrated a satisfactory performance during the year.

4.5. Wind Energy

The Company has two windmills at Dhule, Maharashtra with a capacity to generate wind energy of 2.5 MW.

Performance: During FY2013, these plants were remained fully operational and generated 3,793,845 Kwh units of wind energy amounting to revenue of ₹ 165.29 Lakhs.

4.6. Advanced Carbon Material – SEZ Unit at Falta

The Company has manufacturing facility for advanced carbon material located at Falta, West Bengal. Advanced carbon material is manufactured from coal tar using in-house technology. It is a major raw material used for manufacturing anodes of lithium-ion-batteries. The lithium-ion batteries have application in electronic gadgets such as mobile phones, laptops, power tools, digital cameras, audio devices, games, medical implant devices and hybrid electric vehicles. The batteries are lighter in weight along-with features such as higher capacity voltage, longer life and are pollution-free.

4.7. Coal Tar Pitch (CTP)

The Company has five manufacturing facilities of coal tar pitch in India and one in China. Coal tar is the primary raw material for the Company and is produced during the processing of coking coal in coke oven plant. It is primarily sourced from steel producers with recovery type coke oven batteries where they convert coking coal into low-ash metallurgical coke. The coal tar is distilled to produce various grades of pitch and a variety of intermediate chemical products. The coal tar pitch has application in aluminium and graphite industries. The aluminium industry is the largest coal tar pitch consumer as the binder grade coal tar pitch is a key ingredient for manufacturing anode blocks in aluminium smelters.

Performance: The Company has a total capacity of 250,000 TPA for CTP. CTP segment has met its budgeted goals during the FY2013. The Company is seeking opportunities to penetrate in the growing overseas market for CTP.

4.8. Capacity expansion – Mahistikry Plant

Himadri's capacity expansion plan for its CTP distillation plant at Mahistikry (in the FY2012) is at full swing, and is expected to be completed within the current financial year. This expansion will add upto 60% of coal tar distillation capacity to that of the existing capacity of the Company.

5. OPPORTUNITIES

5.1. Export Markets

During the year, the Company continued to export its major products including carbon black, coal tar pitch and SNF to various international markets such as Dubai, Egypt, South Africa, Bangladesh, Sri Lanka, Singapore, Indonesia and Japan. The management is optimistic about the future developments particularly in export front, primarily due to the arising opportunities from the JV in China.

5.2. Finance

Himadri continues to be focused on optimal management of it's net working capital, receivables, inventories and other working capital components through appropriate placement of internal controls. The Company has been regular in servicing loans/working capital credit facilities.

The Company has adequate working capital facilities under multiple banking arrangements from various reputed bankers including State Bank of India, Central Bank of India, Citi Bank, HSBC, Yes Bank, Axis Bank, DBS, ICICI, Union Bank of India and Standard Chartered Bank. During the year, Indusind Bank sanctioned additional working capital facilities to the Company.

5.3. Enterprise Resource Planning (ERP)

During the year the Company has up-graded it's existing ERP system to improve the quality of reporting, output and efficiency. The implementation of new ERP system has facilitated the linking of all the divisions, departments and units enabling easy access of the data across functions. ERP is a new system and is at its evolution stage of its implementation and success which is primarily dependent on the quality training of personnel. The management has outsourced training professionals to ensure efficient functioning of the system.

5.4. Management Systems

Himadri has established a Det Norske Veritas Management System which adheres to the quality management system standards prescribed by ISO 9001:2000. The objective of this system is to consistently improve and promote efficient management systems to ensure a greater degree of satisfaction for customers.

6. CREDIT RATING BY CARE

The Company's debt facilities continue to achieve satisfactory credit rating from the Credit Analysis & Research Ltd (CARE).

CARE has reaffirmed the rating of:

- "CARE A1+" (A One Plus) assigned for the short term debts. This signifies very strong degree of safety regarding timely payment of financial obligations.
- "CARE AA-" assigned for the long term facilities. This implies a high degree of safety regarding timely servicing of financial obligations and very low credit risk.
- "CARE AA-" assigned for Non-Convertible Debentures. This signifies a high degree of safety regarding timely servicing of financial obligations.

7. AWARDS & RECOGNITIONS

The Company has been awarded "ET Best Corporate Award" among the existing large corporates with turnover of exceeding ₹ 1,000 Crores. The award function was organized by the Association of Corporate Advisors and Executives (ACAE), Kolkata held at Taj Bengal on 16th March, 2013 in the presence of Hon'ble Union Minister of State for Corporate Affairs Shri. Sachin Pilot.

8. RESEARCH & DEVELOPMENT

The Company actively undertakes research & development (R&D) activities for testing of coal tar pitch and carbon black to maintain best-in-class quality.

The Mahistikry unit of the Company has been recognized as a research center by the Government of India, Ministry of Science and Technology, Department of Science and Industrial Research.

9. THREATS

9.1. Transportation

The availability of raw material and its transportation is one of the major threats to the distillation industry. The dependency on transportation makes it an essentially considerable aspect for the Company. Movement of liquid form of the raw material (coal tar) procured from major steel plants spread across the country, requires the availability of special tankers to ensure its adequate flow without any interruption to the production process. Further, the cost of transportation remains a serious concern since the price of crude oils at international level continues to increase which has a direct impact on the Company's input cost. The temperature and weather condition affects the efficiency and quality of raw materials.

The Company has planned to set up raw material storage facility on pan India basis, near to the steel plants and the railway network. This will ensure accumulation and movement of raw material from the suppliers more efficiently.

10. HUMAN RESOURCES (HR)

In a world with evolving technologies, processes and products, employees are a major differentiating factor in the success of the company. A successful management team recognizes that recruiting the best talent is vital to the long term success of the enterprise.

Himadri has been continuously growing into becoming a multi-product business.

The inability to retain the nurtured talent might have an adverse impact on the business and the future performance of the Company. As a result, the key employees are provided with continuous opportunities for better learning and developments, which are key drivers for their personal growth and the success of the Company. The management expects to retain experienced manpower through attractive remuneration packages that links directly with performance. This performance management system reinforces the work ethics at the organization. The Company has given performance-based appraisal rewards to employees with compensation at par with the best industry standards. Himadri had adequate employee strength across all the units as on 31st March, 2013.

10.1. Recruitment

The Company has adopted best-in-class methodology for recruitment of manpower. Himadri with a view to maintain best pool of talent, recruit people at start of their career and provide them ample opportunities to grow within the organization. A professional team of HR has been setup to ensure timely and adequate recruitment of trained personnel in the Company.

10.2. Training & Development

The Company provides an excellent on-the–job training opportunity to its employees. Himadri provides an in-house training to employees through a team of experienced and qualified team of professionals sharpening the employee's talent, develop their expertise and enhancing their ability and entrepreneurial skills through a comprehensive training programme.

10.3. Compensation

Himadri follows a policy of right person at the right job. With a view to keep the compensation package comprehensive and competitive with market standards, various surveys are conducted on regular intervals. Appreciation of quality work through rewards and recognition has always been an integral part of the human resource management policy. All these measures have helped to create a dedicated, inspired, innovative and committed team.

10.4. Health and Safety Measures

Himadri Chemicals and Industries Limited have always considered health and safety of its employees as an essential and integral part of each and every activity. At Himadri accidents and risks to health are prevented through continual improvement in working environment and safety measures.

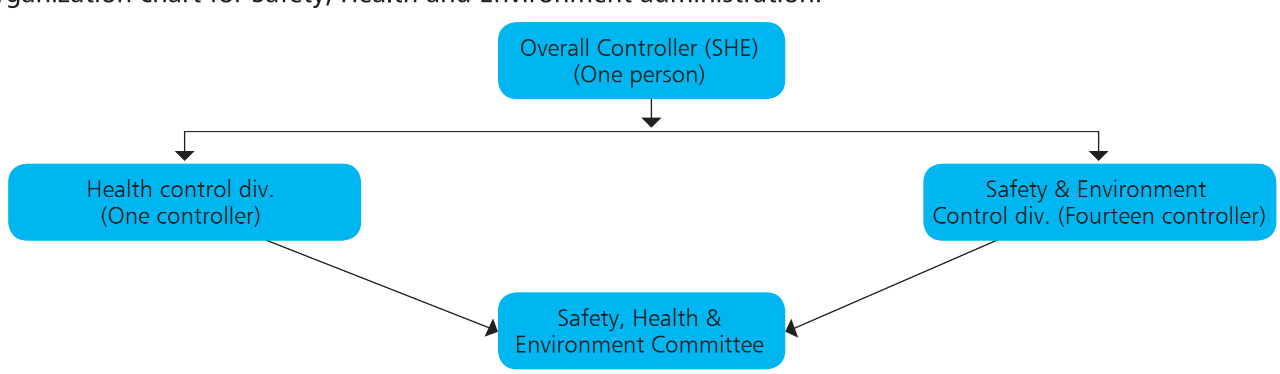
The Company is committed towards protecting the environment, ensuring a safe work environment for its employees and conservation of natural resources. With a view to provide financial support, the Company has obtained adequate medical insurance coverage for the employees.

The Company has taken following steps for the prevention of health and safety issues:

- Provides safety devices like gloves and goggles for workers working around the vicinity hot liquids
- Use of fire or naked flame is strictly prohibited due to presence of flammable materials
- Appropriate safety measures are taken while repairing of interior of tank a in a confined space
- Periodic health checks for employees

The Company has established a safety, environment and health committee to ensure a secure safe environment within and outside the organization.

Organization chart for Safety, Health and Environment administration:



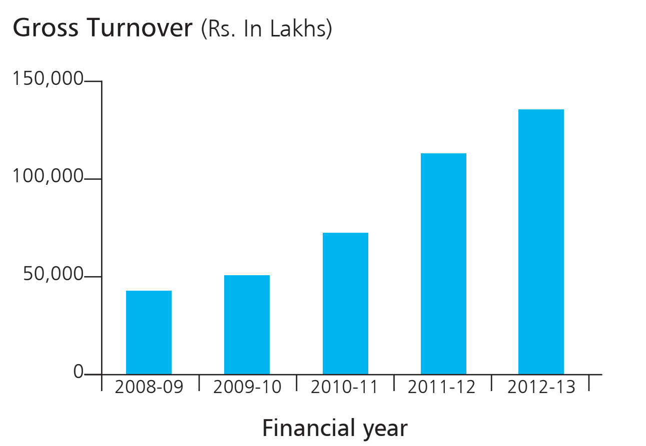
10.5. Employee Relation

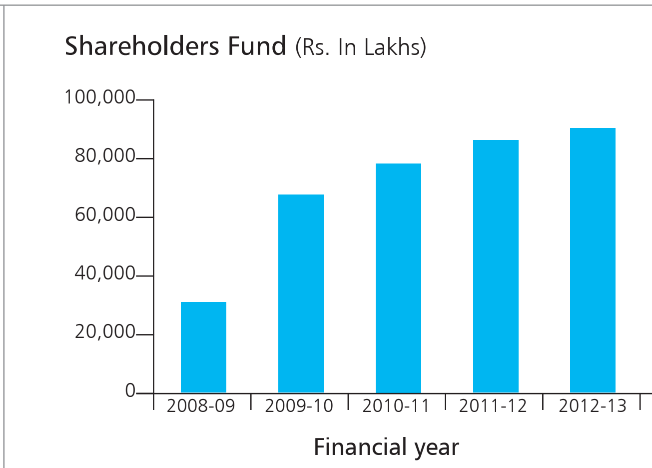
The employee relation during the year at all level remained cordial through the adoption of productive and performance based policies. This has been evident by the fact that there has been zero work interruption in the last five years. Further, the Company provides a number of benefits such as medical insurance to employees and their families, personal accident insurance, provident fund, gratuity and special allowances.

11. ENHANCING SHAREHOLDERS VALUE

Company has a long term strategic vision of wealth maximization for its shareholders. The operations at Himadri are well guided and aligned towards achieving this goal. The management's business plans are implemented to positively impact the growth of the organization, hence addressing to the shareholders' expectations.

The expansion plans and diversification have been a strategic initiative for shareholders wealth creation through growth and profitability. This can be made evident from the charts below, indicating betterment in performance of the Company on y-o-y basis.





12. RISKS & MANAGEMENT

The Company has adequate risk management policies/practices to identify and evaluate business risks and underlying opportunities. Identified business risks are integrated into the business plan, with steps to be taken for mitigation of such risks. Himadri is prone to risks that are particular to its business and the environment within which it operates, including market risks, competition, human resource risks and economic cycle risks. In addition, the Government policies of imports, exports, taxation, interest rates and other related areas, may also have an impact on the performance of the Company. Apart from these, unforeseen natural disasters and geo-political problems may also have an adverse impact. As the Company continues to expand to cater to the rising demand, it may face scarcity of raw materials. To avoid such a situation, Himadri has been actively engaged in identifying new and alternate sources of raw materials.

The management at Himadri ensures that risks are kept under control to develop a sustainable business model that is capable of maximizing stakeholder's returns and improving credit ratings.

13. STATUTORY COMPLIANCE

The Company Secretary, as Compliance Officer, ensures compliance with the SEBI regulations and provisions of the Listing Agreements. The Chief Executive Officer and Managing Director acts as a Compliance Officer for the prevention of insider trading thus strengthening the financial reliability of the Company. The Company, with a view to cover the risk of compliance with various rules and regulations of the Companies Act, SEBI and Listing Agreement, has appointed Internal Auditors to ensure reporting of any of the non-compliance. A declaration regarding compliance with the provisions of the various statutes is made by the Managing Director and/ or by Chief Executive Officer of the Company.

14. INTERNAL CONTROL SYSTEMS

The internal control system of the Company is well designed and is adequate with the size, scale and complexity of the business. During the year, the Company appointed independent internal auditors to strengthen the internal controls process. The Company has been well established comprehensive internal control systems, processes, rules, policies and procedures for effective monitoring and control of the entire operations of the Company and its subsidiary.

The Company has adopted proper and adequate systems of internal controls to provide reasonable assurance for compliance with policies, statutes and code of conduct. The internal control system provides for documented policies, guidelines and authorization and approval procedures. The effectiveness of the internal controls is continuously monitored by the team of professionals. The measures undertaken to implement internal control system enables the management to review the operations and take corrective measures, if required.

The Company's audit committee regularly reviews the reports submitted by the audit team. The Committee meets at regular intervals and reviews audit observations and follows up for implementation of suggested corrective measures.

The internal control systems are constantly reviewed and updated. The department follows risk-based audit approach and structures annual audit plan based on the risk perceived on each business process. The audit plan is usually approved by the senior management team. The management has been continuously reviewing the performance of these professionals to ensure adherence to the management policies. The department functions independently to ensure smooth operations of the Organization.

15. OUTLOOK

Consumer price inflation has continued to remain subdued globally, primarily on account of flat labour costs. Commodity prices that has experienced a boom in the late 2009 onwards are now experiencing corrections. While crude oil prices are likely to harden, albeit more slowly, it is possible that other energy and material prices may level off. In all, the global inflation outlook at this point in time seems to be less troubling than it was in the preceding financial years.

At domestic front, there are signs of improvement with WPI inflation rate staying above 7% for FY2013, falling from ~10% in the last fiscal year. The Consumer Price Inflation indices however continue to report high inflation at ~10%.

(Source: Economic Outlook 2012-13- published by Economic Advisory Council to Prime Minister, New Delhi)

In the medium term, the Indian government's proposals to stimulate infrastructure and investments may enhance growth in industrial activities. Due to this the management strongly believes that the long term industry dynamics of GDP growth and favorable demographics remain intact. Therefore, the outlook for Indian economy for the year 2013-14 and of the industry within which the Company operates seems positive. As the Company is well diversified and makes optimal utilization of resources to increase the efficiency by using the waste heat gas. Consequently, Himadri is expecting a reasonable growth for FY2014. This will serve twin objectives of reducing the dependence on external sources and minimizing the overall cost of the final products. It has embarked upon further expansions, producing higher value added items. The management is optimistic about sustaining the pace of growth in the foreseeable future.

Cautionary Statement

The Investors are hereby informed that statements in the Directors' Report and Management Discussion and Analysis describing the objectives, projections, estimates and expectations may be of forward looking within the meaning of applicable securities laws and regulations and the actual performance in coming years could differ from what is expressed or implied. The factors that could affect the Company's performance are the economic and other factors that affect the demand – supply balance in the domestic market as well as in the international markets, changes in government regulations, tax laws and other statutes and host of other incidental implications.

CORPORATE GOVERNANCE REPORT

Your Company has been following the principles of good Corporate Governance, which comprise activities that result in the control of the Company in a regulated manner, aiming to achieve transparent, accountable and fair management. The details of the Corporate Governance compliance by the Company as per Clause 49 of the Listing Agreement with Stock Exchanges are as under:

1. The Company's Corporate Governance Philosophy

The Corporate Governance philosophy of the Company is to achieve excellence in business for enhancing the long-term shareholders' wealth, keeping in view the needs and interest of all the stakeholders.

Himadri Chemicals follows the principles of good Corporate Governance, which is an essential ingredient of good business. This relates to a system or processes that direct corporate resources and management strategies towards maximization of stakeholders' confidence while ensuring transparency and accountability in the conduct of business within legal and ethical framework. To the Company, Corporate Governance means ensuring good governance through disclosures, transparency, integrity, accountability, responsibility and fairness in all its dealings with employees, shareholders, customers, suppliers and society at large. The Company has always set high benchmarks for its' growth plans, profitability, customer satisfaction, increasing the shareholders wealth and continues its commitments to highest standards of Corporate Governance. The Board considers itself as trustee of its shareholders, acknowledging its responsibilities to the shareholders for creating and safeguarding their wealth. The Board during 2012-13, continued its endeavors for achieving these objectives by adopting and monitoring corporate strategies, prudent business plans, and major risks and ensured that the Company pursues policies and procedures to satisfy its ethical responsibilities. The Company adopts the best practices in the area of Corporate Governance, thereby protecting the interest of all its stakeholders.

The Company is in compliance with all the requirements of the Corporate Governance code as stipulated in Clause 49 of the Listing Agreement.

A Management Discussion and Analysis Report, given in a separate annexure, forms part of this Annual Report and is attached herewith.

2. Board of Directors

Size and Composition of the Board

The Company has an appropriate composition of Executive and Non-Executive Directors. As on 31st March, 2013, the Board consisted of twelve directors, out of which three Directors are Executive and nine are Non-Executive. The Chairman of the Board is a promoter Director and six of the Board of Directors are independent. The composition of the Board is in compliance with the requirements of Clause 49(I) (A) of the Listing Agreement with the stock exchange(s).

The Company had no pecuniary relationship or transactions with the Non-Executive Directors during 2012-13. The Independent Directors are not related to promoters or persons occupying management positions at the Board level or any level below the Board; they were neither in employment for the last three years nor they are material suppliers, service providers, customers, a lessor, or a lessee of the Company, which may affect their independence. They do not hold substantial shares in the Company. All these directors are above 21 years of age.

None of the Directors on the Board is a Member of more than ten Committees and Chairman of more than five Committees as specified in Clause 49 of the Listing Agreement, across all the Companies in which he is a Director. For assessment of these criteria, the limit under Clause 49, the membership / chairmanship of the Audit Committee and the Shareholders' Grievance Committee alone has been considered.

Board Procedure

The members of the Board are provided all information and documents as per Annexure IA of Clause 49 pertaining to the matters to be considered at each board and committee meetings, to enable the Board to discharge its responsibilities effectively and the Chairman and the Managing Director review the overall performance of the Company.

Meetings of the Board of Directors

During the financial year 2012-13, the Board met 5 (five) times, i.e. on 15th May 2012, 13th August 2012, 30th August 2012, 9th November 2012, and 12th February, 2013. The maximum time in between two meetings was not more than four months and the required information were made available to the Board. The dates for the Board Meetings were decided well in advance and communicated to the Directors and stock exchange(s). The agenda along with the explanatory notes were usually sent in advance to each Director.

The names and categories of the Directors on the Board, their attendance at the Board meetings held during the year and at the last Annual General Meeting, as also the number of Directorship and committee membership position as held by them in other public limited companies as on 31st March, 2013 are given hereunder.

Sl. No.	Directors' name	Category	No. of Board meetings attended	Attendance at the last AGM	Directorship in other public companies	No. of committee position held in other public limited Companies[1]	
						As Chairman	As Member
1	Mr. D.P. Choudhary	Promoter, Chairman Non-Executive	0	No	4	–	–
2	Mr. S.S. Choudhary	Promoter Executive	5	Yes	3	–	–
3	Mr. B.L. Choudhary	Promoter Managing Director	5	Yes	5	–	–
4	Mr. V. K. Choudhary	Promoter Executive	0	No	4	–	–
5	Mr. S.K. Saraf	Non-Executive Independent	4	No	–	–	–
6	Mr. S.K. Banerjee	Non-Executive Independent	3	No	2	–	–
7	Mr. B.P. Dhanuka	Non-Executive Independent	5	Yes	–	–	–
8	Dr. Basudeb Sen	Non-Executive Independent	4	Yes	7	1	5
9	Mr. Rahul Kumar Yadav	Non-Executive Independent	4	No	6	–	–
10	Mr. Amit R Chandra[2]	Non-Executive Independent	2	No	1	–	–
11	Mr. Hardip Singh Mann	Non-Executive Independent	3	No	–	–	–
12	Mr. Krishnava Dutt[3]	Non-Executive Independent	4	No	4	–	–
13	Mr. Pavninder Singh[4]	Non-Executive Independent	2	No	–	–	–

[1] Pursuant to Clause 49 of the Listing Agreement with Stock Exchange(s), Memberships/Chairmanships of only Audit Committee and Shareholders' Grievance Committee in all Public Limited Companies (excluding Himadri Chemicals and Industries Limited) have been considered.

[2] Mr. Amit Chandra has resigned with effect from 25th October 2012;

[3] Mr. Amit R Chandra and Mr. Krishnava Dutt attended one meeting through video / teleconference;

[4] Mr. Pavninder Singh has been appointed with effect from 30th October 2012

Code of Conduct

The Company has prescribed Code of Conduct for its directors and senior management. The declaration from the Managing Director stating that as on 31st March, 2013 all the board members and the senior management personnel of the Company have adhered to the code of conduct for the financial year 2012-13 and the same has been included in this report.

3. Committees of Board

The Board constituted various committees to function in specific areas and to take informed decisions within delegated powers. Each Committee exercises its functions within the scope and area as defined in its constitution guidelines. These Committees are constituted in conformity of the Listing Agreement and provisions of the Companies Act, 1956. The Company has the following Committees:

Audit Committee
Remuneration Committee
Selection Committee
Share Transfer Committee
Investors' Grievance Committee
Finance Committee

Audit Committee

a. Terms of reference

The Audit Committee reviews the internal audit system of the Company in consultation with the statutory auditors periodically and discusses their findings. The role of the Audit Committee is as follows:

- Review of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommending the appointment and re-appointment of the statutory auditors and fixation of their remuneration;
- Reviewing with the management the annual financial statements before submission to the Board, for approval, with particular reference to
  - Matters required to be included in the Directors' Responsibility Statement of the Board's Report in terms of Clause (2AA) of section 217 of the Companies Act, 1956;
  - Changes, if any, in the accounting policies and reasons for the same;
  - Major accounting entries based on exercise of judgment by management;
  - Significant adjustments made in the financial statements arising out of audit findings;
  - Compliance with listing and other requirements relating to financial statements;
  - Disclosures of related party transactions;
  - Qualifications in the draft audit report
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval;
- Reviewing with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with the auditors on any significant findings and follow-up thereof.
- Reviewing the findings of any internal investigations by the auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting thereof.
- Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of any non payment of declared dividends) and creditors.
- To review the functioning of the whistle blower mechanism, in case the same exists.
- Carrying out any other function as mentioned in the terms of reference of the Audit Committee.

b. Composition

The Company constituted an Audit Committee in terms of Clause 49 of the Listing Agreement consisting of 4 (four) Directors as members and two-third of its members are Independent. The Chairman of the Audit Committee is an Independent and Non-Executive Director with over ten years experience in finance and accounts.

The Audit Committee met 5 (five) times during the year with a maximum time in between meetings of about four months, i.e., on 24th April 2012, 15th May 2012, 13th August 2012, 9th November 2012 and 12th February, 2013. The Committee reviewed the results of operation and the statement of significant related party transactions submitted by management. The composition of the Audit Committee and the details of meetings attended by each of the members are given below:

Sl. No.	Names of members	Status	No of meetings attended
1	Mr. Bhagwati Prasad Dhanuka	Chairman Non-Executive Independent	5
2	Mr. Sushil Kumar Saraf	Member Non-Executive Independent	4
3	Mr. Shyam Sundar Choudhary	Member Executive Director	5
4	Mr. Amit R Chandra* #	Member Non-Executive Independent	3
5	Mr. Pavninder Singh#	Member Non-Executive Independent	2

* Mr. Amit R Chandra has attended one meeting through Video/Teleconferencing

Mr. Amit R Chandra has resigned with effect from 25th October 2012

Mr. Pavninder Singh has been appointed with effect from 30th October 2012

Remuneration Committee

a. Constitution

The Company has constituted, though not mandatory, a Remuneration Committee comprising of Mr. Sushil Kumar Saraf, as Chairman, Mr. D.P. Choudhary and Mr. S.K. Banerjee, as members.

The Committee is empowered to fix, review, approve and recommend the remuneration payable to Whole-time/ Executive Directors and Senior Executive Officers. The Committee met twice during the year on 17th January 2013 and 30th March 2013 and reviewed and recommended the remuneration paid/ payable to its Whole-time Directors and Executives.

b. Remuneration policy

The remuneration of the Whole-time/ Executive Directors and Senior Executive Officers is decided by the Board based upon the recommendations of the Remuneration Committee, subject to the approval of the Company in general meeting, which inter-alia is based on the criteria such as industry benchmarks, the Company's performance, and the performance of the individual concerned. The Company pays remuneration by way of salary to Whole-time Directors. Remuneration of the Executives and employees largely consists of basic salaries, perquisites and incentives. The component of the total remuneration varies from grades and is governed by the industry pattern, qualifications, experience and the responsibilities carried on by the individual employee concerned. The objectives of the remuneration policy are to motivate the deserving employee in improving their performance, along with recognising their contributions, retain best talent in the organisation and record the merits.

c. Remuneration to Directors

The Non-Executives / Independent Directors are not being paid any remuneration by the Company, except sitting fee for attending the meetings. All managerial remuneration for Executive Directors/ Wholetime Directors were approved by the shareholders at the Annual General Meeting and paid in accordance with the Section-I, Part-II of Schedule XIII appended to the Companies Act, 1956. A statement of the remuneration paid to the Executive

Directors during the year ended 31st March, 2013 is given hereunder:

Sl. No.	Names of the Directors	Designation	Gross Salary (₹)
1	Mr. S.S. Choudhary	Executive Director	30,00,000
2	Mr. B.L. Choudhary	Managing Director	30,00,000
3	Mr. V.K. Choudhary	Executive Director	30,00,000

d. Remuneration to Independent / Non-Executive Directors (Sitting fees)

Sl. No.	Names of the Directors		Amount of sitting fees paid (₹)
1	Mr. S.K. Banerjee		40,000
2	Mr. S.K. Saraf		48,000
3	Dr. Basudeb Sen		40,000
4	Mr. B.P. Dhanuka		70,000
5	Mr. Rahul Kumar Yadav		40,000
6	Mr. Hardip Singh Mann		30,000
7	Mr. Krishnava Dutt		40,000
8	Mr. Pavninder Singh		24,000

Selection Committee

The Company has constituted Selection Committee as required by the Rule 4(7) of Directors' Relatives (Office or Place of Profits) Rules, 2011, read with Section 314(1B) of the Companies Act, 1956 with Mr. B. P. Dhanuka and Mr. S. K. Banerjee as its Members to act as Independent Directors and Mr. P. K. Chattaraj as an expert (an outsider) to review and approve the terms of appointment of Relatives of Directors for holding Office or Place of Profit in the Company. During the financial year 2012-13 the Committee met on 15th January, 2013.

Share Transfer Committee

The Share Transfer Committee comprises of Mr. S.S. Choudhary, as the Chairman, Mr. S.K. Saraf, Mr. D.P. Choudhary and Mr. B.L. Choudhary as its members. The Committee approves transfer of shares, consolidation /sub-division of shares/ Re-materialization and other related matters.

In accordance with Cause 49 para IV (G) (iii) of the Listing Agreement of the Stock exchanges, and in order to expedite the process of share transfer and the redressal of investors' grievances, the Board has delegated its powers with a senior employee, who periodically visits the office of the Company's Registrar and Share Transfer Agent M/s S. K. Infosolutions Pvt. Ltd and monitors the activities.

The Committee holds periodical meetings for transfer and transmission of shares and co-ordinates with Company's Registrar & Share Transfer Agents. During the financial year ended 31st March, 2013, the committee met 19 (nineteen) times.

The Company confirms that there were no share transfers lying pending as on 31st March, 2013 and all request for de-materialisation and re-materialisation of shares as on that date were confirmed / rejected into the NSDL / CDSL system.

Investors' Grievance Committee

Terms of Reference

- To review the issue of Duplicate Shares.
- To review the Status of Unpaid Dividend.
- To review the pending Investors Complaint.
- To review the Secretarial Audit report
- To review the periodical Compliance with Stock Exchange(s).
- To monitor expeditious redressal Investor's Grievances.
- All other matters relating to Shares.

Composition

The Board formed a Investors' Grievance Committee consisting of Mr. S.K. Saraf, as the Chairman, Mr. S.S. Choudhary and Mr. S.K. Banerjee as its members.

The Grievance Committee reviewed the status of Investors' Complaints periodically relating to transfer and transmission of shares, non-receipt of Dividend, among others.

During the year, the Committee met 4 (four) times. The status of the Investors' Complaints are given hereunder:

There was 1 pending complaint at the beginning of the year and during 2012-13, total of 29 complaints were received from investors, out of which 29 complaints were replied/ resolved to the satisfaction of the investors, with 1 complaint remaining pending as on 31st March, 2013.

SEBI has introduced a new system for resolving Investors' complaints by means of "SCORES", an online portal. The Company regularly updates the status of Investors Complaints on the portal.

Finance Committee

The Finance Committee comprises of Mr. S.S. Choudhary, Mr. B.L. Choudhary, and Mr. D.P. Choudhary as its members.

Terms of reference

The broad terms of reference of Finance Committee include the following:

- Borrow moneys (otherwise than issue of debentures) from time to time for its' projects expansion and working capital and providing security;
- Execution of documents with banks and financial institutions;
- Opening of banking accounts with banks;
- Investing the funds of the Company
- Making loans;
- All other day to day operations of the Company.

During the financial year 2012-13, the committee met 28 (twenty eight) times.

Name and Designation of Compliance Officer

Mr. B.L. Sharma, Company Secretary has been designated as Compliance Officer in terms of Clause 47 (a) of the Listing Agreement with stock exchange(s). The shareholders may send their complaints directly to the Company Secretary, Himadri Chemicals & Industries Limited, "Ruby House", 8, India Exchange Place, 2nd Floor, Kolkata - 700 001 or can email at: investors@himadri.com. Those members desire to contact over telephone may do so at 91- 033- 2230 9953/ 4363.

4. General Body meetings

a) **Details of location, time and date of the last three Annual General Meetings are given below:**

Financial Year	Type	Date	Venue	Time
2009-10	22nd AGM	28th September 2010	"GYAN MANCH" 11, Pretoria Street, Kolkata – 700 071	02.30 pm
2010-11	23rd AGM	28th September 2011	" Kala Kunj" 48 Shakespeare Sarani, Kolkata – 700 017	10.00 am
2011-12	24th AGM	29th September2012	"Kala Mandir", 48, Shakespeare Sarani, Kolkata – 700 017	10.00 am

b) Details of Special Resolution (s) passed during the last three years in General Meetings.

EGM held on 29th January 2010	1. Issue and allotment of 63,10,000 equity shares of ₹10/- each at price of ₹ 400/- per share to Bain Capital India Investments on preferential basis in terms of Section 81(1A) of the Companies Act, 1956;
	2. Increasing of Foreign Institutional Investors (FII) investment limit form 24% to 49%.
	3. Amendment in Articles of Association of the Company.
22nd AGM held on 28th September 2010	1. Re-appointment of Mr. S.S. Choudhary as Executive Director in terms of Section 198, 269, 309, 310, 311 read with Schedule XIII of the Companies Act, 1956 for a period of 5 years with effect from 1st April, 2010;
	2. Holding office or place of profit by Mr. Anurag Choudhary as Chief Executive Officer of the Company for a period of three years with effect from 1st July 2010 in terms of Section 314(1B) of the Companies Act, 1956 read with Directors' Relatives (Office or Place of profit) Rules, 2003 subject to the approval of the Central Government;
	3. Holding office or place of profit by Mr. Tushar Choudhary as President – Operations of the Company for a period of three years with effect from 1st July 2010 in terms of Section 314(1B) of the Companies Act, 1956 read with Directors' Relatives (Office or Place of profit) Rules, 2003 subject to the approval of the Central Government;
	4. Holding office or place of profit by Mr. Amit Choudhary as President – Projects of the Company for a period of three years with effect from 1st July 2010 in terms of Section 314(1B) of the Companies Act, 1956 read with Directors' Relatives (Office or Place of profit) Rules, 2003 subject to the approval of the Central Government;
	5. Alteration in Articles of Association of the Company;
	Note: *The Company has received necessary approval of the Central Government in terms of Section 314(1B) of the Companies Act, 1956 as required under Resolution No. 2, 3, and 4 aforesaid.*
23rd AGM held on 28th September 2011	1. Re-appointment of Mr. B.L. Choudhary as Managing Director in terms of Section 198, 269, 309, 310, 311 read with Schedule XIII of the Companies Act, 1956 for a period of 2 years with effect from 1st April, 2011;
	2. Approval of Issue of shares under Employees Stock Option Scheme (ESOS) in terms of Section 81(1A) of the Companies Act, 1956;
	3. Approval of Issue of shares to employees of Subsidiaries Companies under Employees Stock Option Scheme (ESOS) in terms of Section 81(1A) of the Companies Act, 1956;
24th AGM held on 29th September2012	1. Re-appointment of Mr. V. K. Choudhary as Whole-time Director in terms of Section 198, 269, 309, 310, 311, 314 read with all other applicable provisions, if any, of the Companies Act, 1956 for a period of 5 years with effect from 1st April, 2012;

c) Postal Ballot

During the year 2012-13, the Company obtained approval from its members through postal ballot for alteration in Articles of Association of the Company by way of a Special Resolution. The salient features of the Postal ballot are given hereunder:

i) The Board of Director at its meeting held on 30th August 2012, appointed Mr. S.K. Ghosh, Company Secretary –in-Practice, AB-198, Salt Lake City, Kolkata – 700 064 as Scrutinizer for conducting the postal ballot voting process in a fair and transparent manner;

ii) The Notice along with Postal Ballot form and pre-paid self addressed envelopes were dispatched to the members whose names appeared on the Register of Members on 30th August 2012 and such dispatch was made under speed post on 7th September 2012;

iii) Notice of dispatch of Postal Ballot was published on 10th September 2012 in " The Financial Express (English) and News Bangla (Vernacular)" informing the completion of postal ballot and other matters to the members of the Company;

iv) The last date of receipt of Postal Ballot form was 6th October 2012;

v) The Postal ballot forms received were kept in boxes sealed by the Scrutinizer;

vi) The Scrutinizer after verification of Postal Ballot submitted his report to the Company's Managing Director on 8th October, 2012 and the results of Postal Ballot process was declared by the Managing Director on the same day and also intimated to the stock exchange concerned;

vii) A summary of the Postal Ballots form received is given hereunder:

Details of Agenda	Resolution required (Ordinary/Special)	Mode of Voting (Show of Hands/Poll/ Postal Ballot/E-voting)	Remarks
Amendment in Clause 3A of the Articles of Association of the Company so as to alter the definition of Eligible Subsidiary of the Company	Special	Postal Ballot	The Resolution was passed with requisite majority

Result of the Postal Ballot

Promoter/Public	No. of shares held -1	No. of votes polled - 2	% of Votes Polled on outstanding shares (3) =[(2)/(1)]*100	No. of Votes - in favour - 4	No. of Votes - against - 5	% of Votes in favour on votes polled (6) = [(4)/(2)]*100	% of Votes against on votes polled (7) = [(5)/(2)]*1w00
Promoter and Promoter Group	17,21,39,910	17,21,39,910	100	17,21,39,910	–	100	0
Public – Institutional holders	20,07,387	–	0	–	–	–	–
Public-Others	21,15,85,273	1,41,66,376	6.70	1,40,95,496	56,985	99.60	0.40
Total	**38,57,32,570**	**18,63,06,286**	**48.30**	**18,62,35,406**	**56,985**	**99.96**	**0.03**

The Resolution as set out in the Postal Ballot Notice dated 30th August 2012 were accordingly, approved and passed by the shareholders with requisite majority. Shareholders holding 13,895 voting rights did not excercise their voting rights in respect of this resolution.

5. Subsidiary Companies

The Company does not have a material non-listed Indian subsidiary in the immediately preceding financial year. The Company has a wholly owned subsidiary Company in Hong Kong. The Company also has one step down subsidiary Company i.e. Shandong Dawn Himadri Chemical Industry Limited ("SDHCIL") a joint venture Company in China, in which the Company holds 94% equity through its wholly owned subsidiary Company, Himadri Global Investment Limited.

The Accounts and Auditors' Report of the wholly owned subsidiary Company and Joint Venture Subsidiary Company in China were placed before and reviewed by the Board of Directors.

6. Disclosures

a. Related party transactions

Related party transactions are defined as the transactions of the Company of a material nature, with its promoters, directors or the management, or their subsidiaries or relatives, among others, that may have potential conflict with the interest of the Company at large.

Among the related party transactions are the contracts or arrangements, made by the Company from time to time, with Companies in which Directors are interested. The Audit Committee reviews periodically the significant related party transactions. All these contracts or arrangements are entered in the Register of the Contracts maintained under section 301 of the Companies Act, 1956 and the Register was placed before relevant Board Meetings. All transactions covered under the related party transactions are regularly ratified and / or approved by the Board. There were no material transactions during 2012-13 that were prejudicial to the Company's interest.

The Board has obtained certificates / disclosures from key management personnel confirming that they did not have any material, financial and commercial interest in transactions with the Company that may have a potential conflict with the Company's interest at large.

There are no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management and their subsidiaries or relatives that may have potential conflict with Company's interest at a large. Related party transactions are included in the Notes to the annual accounts of the Company for the year ended 31st March, 2013.

b. Reconciliation of Share Capital Audit Report

A qualified Practising Company Secretary has carried out exercise of Reconciliation of Share Capital to the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The Reconciliation of Share Capital confirms that the total issued / paid up capital was in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

c. Statutory compliances, penalties & strictures

The Company complied with the requirements of the stock exchange(s)/ SEBI and statutory authorities on all matters related to capital markets. There were no instances of non-compliance on any matter relating to the capital market during the last three years. There were no penalties or strictures imposed on the Company by the stock exchange(s), SEBI or any statutory authority in any matter related to capital markets.

d. Mandatory and non-mandatory requirements

The Company complied with the mandatory requirements and adoption of non-mandatory requirements under Clause 49 of the Listing Agreement, which are reviewed by the management from time to time.

e. Proceeds from issue of Debentures

The Company in the year 2010 had raised money through issue of Secured Non-Convertible Debentures aggregating to ₹ 200 Crores. These debentures are listed at the Bombay Stock Exchange Limited. The details of utilization of proceeds raised through issue and allotment of Debentures were disclosed to the Audit Committee. The Company as on 31st March, 2013 has utilized the entire proceeds of ₹ 200 Crores raised through issue of Non Convertible Debentures towards the objects for which such amount was raised.

f. Outstanding Foreign Currency Convertible Bonds (FCCB)

In the year 2009-10, the Company had issued to International Finance Corporation (IFC), 70 Foreign Currency Convertible Bonds (FCCBs) having a face value of USD 100,000 each aggregating to USD 7 million. FCCBs are hybrid instruments with an option of conversion into Equity shares and an underlying foreign currency liability with redemption in the event of non-conversion at the end of the period.

The bondholder has an option of converting these bonds into Equity shares at any time within a period of 7 years from the date of issue at an initial conversion price of ₹ 13.50/- per share (face value of ₹ 1/- each) at the exchange rate prevailing on the date of conversion request. Unless the conversion option is exercised, the outstanding FCCBs will be redeemed in full at their par value together with interest @ 6 month LIBOR + 3.35% p.a. accrued on a compounded six monthly basis.

As at 31st March, 2013 conversion option has not been exercised in respect of any Bond. The Company expects that the bondholder will opt for conversion rather than redemption.

g. Shareholding of Non-executive director(s)

As on 31st March, 2013 Non-executive directors were holding the following shares in the Company:

Name of directors	No. of shares	% of shareholding
Mr. Damodar Prasad Choudhary	14,84,280	0.384%
Mr. Bhagwati Prasad Dhanuka	15,000	0.003%

None of the other Directors of the Company held any equity shares of the Company.

7. Means of communication

The Company's Board of Directors publish the unaudited financial results on quarterly basis within a maximum period of forty five days from the end of respective quarter and audited financial results within a period of 60 days from the end of financial year, and takes on record the financial results in the prescribed format. The quarterly, half-yearly and annual financial results are also published as per the Listing Agreements, in leading newspapers. The Company regularly intimates unaudited as well as audited financial results to the stock exchange(s) immediately after conclusion of the Board meeting and taken on record. The Company usually upload the financial results on the Company's website at www.himadri.com and the Investors may view and download the same from this website.

The shareholders may send their complaints, if any, directly to the Compliance Officer at investors@himadri.com.

8. General Shareholder Information

8.01 Annual General Meeting is proposed to be held at "Kala Kunj Hall", 48 Shakespeare Sarani, Kolkata- 700017 on Monday, the 23rd September, 2013 at 10.00 am.

8.02 The Company furnished information as required by Clause 49 (VI) of the Listing Agreements, of the stock exchange(s) relating to the Directors retiring by rotation and seeking re-appointment. Shareholders may kindly refer to the Notice and explanatory statement convening the Company's 25th Annual General Meeting. The names of the companies in which the persons also hold directorship and membership of committees of the Board are given separately.

8.03 Date of Book Closures

The Share Transfer and Register of Members of the Company will remain close from 17th September, 2013 to 23rd September, 2013 (both days inclusive).

8.03 Financial Year Calendar for 2013-14 (tentative schedule)

Financial Year	2013-14
Board meetings for approval of quarterly results	
– Quarter ended June 30, 2013	Within 2nd Week of August 2013
– Quarter ended September 30, 2013	Within 2nd week of November, 2013
– Quarter ended December 31, 2013	Within 2nd week of February, 2014
– Annual Result for the year ended 31.03.2014 (Audited)	Within 60 days from the end of financial year
Annual General Meeting for 2013-14	In accordance with Section 166 of the Companies Act, 1956
Posting of Annual Report	21 (clear) days before the meeting
Posting of Dividend warrants	Within 30 days from the date of AGM
Receipt of proxy forms	At least 48 hrs before the meeting

8.05 Listing of shares on stock exchange(s)

The Company's shares are presently listed on the following stock exchange(s):

Sl. No.	Stock exchange	Listing code
1	Bombay Stock Exchange Limited P. J. Towers, Dalal Street, Fort Mumbai- 400 001	500184
2	National Stock Exchange of India Ltd "Exchange Plaza" Bandra-Kurla Complex, Bandra (E), Mumbai- 400 051	HCIL

The Company has remitted the listing fee to the stock exchanges as per the schedule.

8.06 Listing of Non-Convertible Debentures

The Non-Convertible Debentures (NCDs) issued by the Company on private placement basis aggregating to ₹ 200 Crores are listed at Bombay Stock Exchange Limited. The details are given hereunder:

Sl. No.	Details of NCD	Stock Exchange	Listing Code	ISIN Number
1	9.60% Secured, Redeemable Non-Convertible Debentures of ₹ 10,00,000/- each aggregating to ₹ 100 Cores issued on Private placement basis to ICICI Bank Limited	Bombay Stock Exchange Limited	946770	INE019C07015
2	10.00 % Secured, Redeemable Non-Convertible Debentures of ₹ 400/- each aggregating to ₹ 100 Cores issued on Private placement basis to LIC of India	Bombay Stock Exchange Limited	946887	INE019C07023

The Company has been regular in making payment of interest on these debentures. The Company has remitted the listing fee to the Stock Exchange as per schedule.

8.07 Nomination facilities

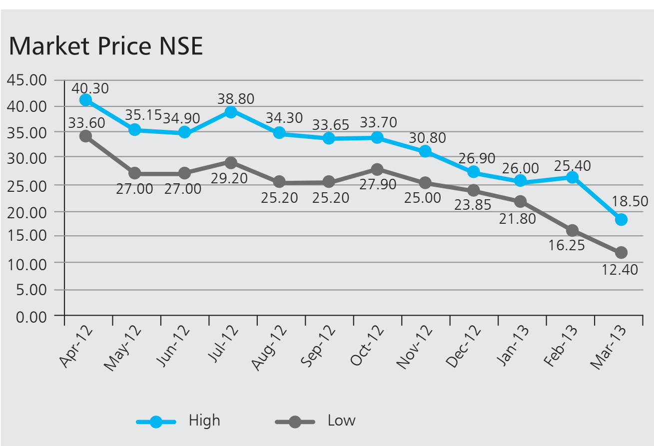
The Companies (Amendment) Act, 1999 introduced through the new Section 109A, the facility of nomination to shares and debentures. This facility is mainly useful in case of those holders who hold their shares in single name. Investors are advised to avail of this facility, especially those holding shares in single name to avoid any complication in the process of transmission, in case of death of the holders.

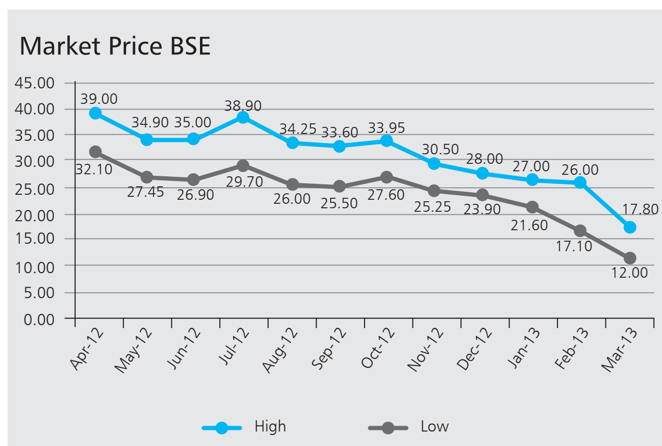
In case the shares are held in physical mode, the nomination form may be obtained from the Registrar & Share Transfer Agents. In case of shares held in Demat form, such nomination is to be conveyed to the D/P as per the formats prescribed by them.

8.08 Market price data

Monthly high / low market price of the shares during the year 2012-13 at the Bombay Stock Exchange Limited and at National Stock Exchange of India Ltd were as under:

Months	Market Price (NSE) Amount in ₹		Market Price (BSE) Amount in ₹	
	High	Low	High	Low
Apr-12	40.30	33.60	39.00	32.10
May-12	35.15	27.00	34.90	27.45
Jun-12	34.90	27.00	35.00	26.90
Jul-12	38.80	29.20	38.90	29.70
Aug-12	34.30	25.20	34.25	26.00
Sep-12	33.65	25.20	33.60	25.50
Oct-12	33.70	27.90	33.95	27.60
Nov-12	30.80	25.00	30.50	25.25
Dec-12	26.90	23.85	28.00	23.90
Jan-13	26.00	21.80	27.00	21.60
Feb-13	25.40	16.25	26.00	17.10
Mar-13	18.50	12.40	17.80	12.00





8.09 Registrar and Share Transfer Agent

The Company engaged the services of S.K. Infosolutions Pvt. Limited of 34/1A, Sudhir Chatterjee Street, Kolkata- 700 006, a SEBI registered Registrar as its Share Transfer Agents for processing the transfer, sub-divisions, consolidation, splitting of securities among others. Since the shares are compulsorily required to be traded in dematerialized form, shareholders are requested to get their physical shareholdings converted into DEMAT form through their depository.

All the queries related with shares may be forwarded directly to the Company's Registrar. The Company has made necessary arrangements with Depositories NSDL/CDSL for Dematerialization of shares. M/s S.K. Infosolutions Pvt. Ltd was appointed as common agency to act as transfer agent for both physical and demat shares.

Shareholders are requested to surrender the old share certificates having Face Value of ₹ 10/- each to the Registrar and Share Transfer Agent for cancellation and issue of new certificates of face Value of ₹ 1/- each pursuant to stock split approved by the shareholders at the Annual General Meeting held on 28th September 2010, for which the Record Date was fixed on 9th November, 2010.

8.10 Share Transfer System

The Company ensures that all transfers are duly affected within a period of fifteen days from the date of their lodgment. The Board constituted a Share Transfer Committee for approval of the Transfers, which meets on regular intervals. Share Transfer, Duplicate issue of shares and all other investors' related activities are attended to and processed at the office of the Registrar and Share Transfer Agent, M/s S.K. Infosolutions Pvt. Ltd - Kolkata.

Pursuant to Clause 47(c) of the Listing Agreement with the stock exchange(s), certificate on half-yearly basis is filed with the stock exchange(s) for due compliance of share transfer formalities by the Company. In terms of guidelines issued by SEBI, the Reconciliation of Share Capital for all the quarters was filed with the stock exchange(s), which inter-alia gives details of share capital (both demat and physical).

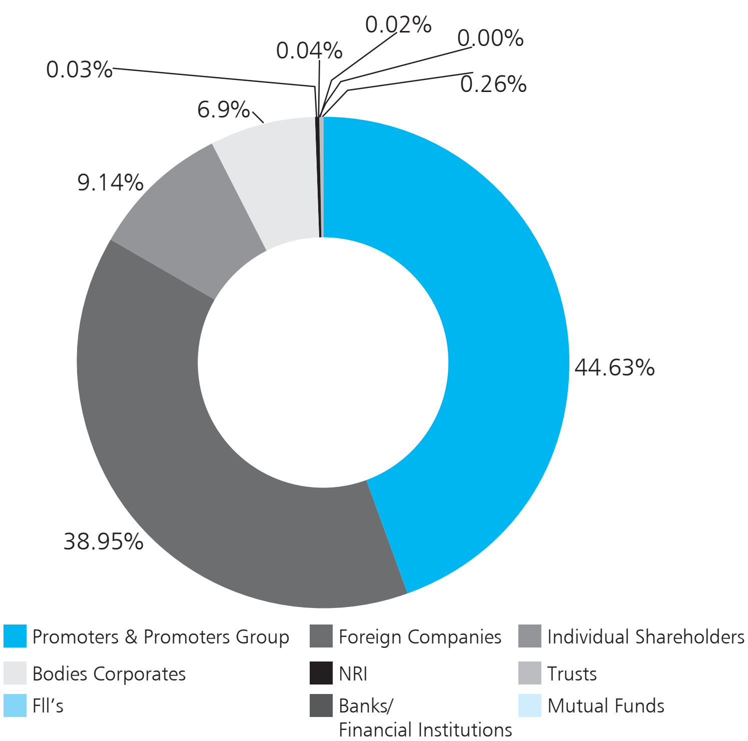
8.11 Distribution of Shareholding as on 31st March, 2013

No. of shares	No. of Shareholders	% of total number of shareholders	Number of shares held	% of the total number of shares
Up to 500	5755	35.68	11,80,957	0.31
501 – 1000	5557	34.45	53,77,996	1.39
1001 – 2000	2564	15.89	46,60,971	1.21
2001 – 3000	986	6.11	25,07,935	0.65
3001 – 4000	303	1.88	11,70,373	0.30
4001 – 5000	282	1.75	13,76,000	0.36
5001 – 10000	339	2.10	26,62,331	0.69
10001 – 50000	258	1.60	52,82,489	1.37
50001 – 100000	32	0.20	21,89,733	0.57
100000 and above	53	0.34	35,93,23,785	93.15
Total	**16129**	**100.00**	**38,57,32,570**	**100.00**

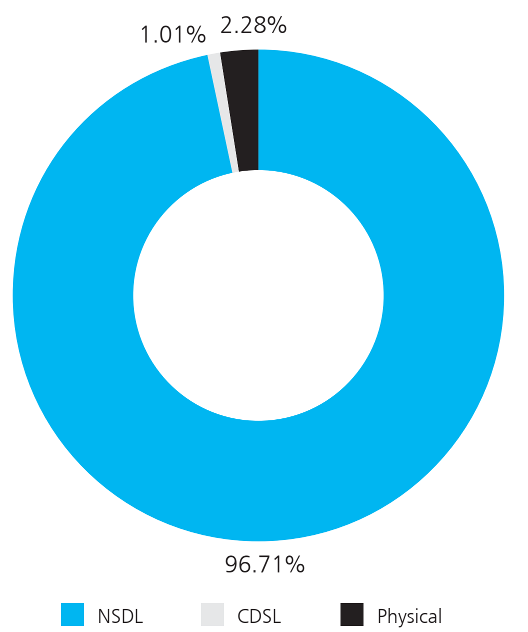
8.12 Shareholding pattern as on 31st March, 2013

	Category of shareholders	Number of shareholders	Number of shares	% of holding
(A)	**Promoter Group**			
(a)	Directors & relatives	8	1,27,28,600	3.30
(b)	Bodies corporate	4	15,94,11,310	41.33
	Sub-total (A)	**12**	**17,21,39,910**	**44.63**
(B)	**Non-promoters**			
(a)	Mutual funds / UTI	2	9,88,151	0.26
(b)	Financial institutions / banks	4	16,000	0.00
(c)	Foreign institutional investors (FII)	4	88,100	0.02
(d)	Foreign Company	2	15,02,32,285	38.95
(e)	Bodies corporate	383	2,67,30,070	6.93
(f)	Individuals	15632	3,52,51,594	9.14
(g)	NRI(s)	85	1,28,793	0.03
(h)	Trustee	5	1,57,667	0.04
	Sub Total (B)	**16,117**	**21,35,92,660**	**55.37**
	Total (A) + (B)	**16,129**	**38,57,32,570**	**100.00**

Distribution of Shareholding 2012-13



Distribution of Shareholding 2012-13



8.13 Dematerialization of shares

The shares of the Company are under compulsory demat list of SEBI and it has joined as a member of the Depository services with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as an Issuer Company for dematerialization of its' shares. Shareholders can get their shares dematerialized with either NSDL or CDSL.

Pursuant to stock split approved by the shareholders at the Annual General Meeting held on 28th September, 2010, each equity shares of face value of ₹ 10/- each has been sub-divided into ten equity shares of ₹ 1/- each and the depositories allotted the following new ISIN number to the Company:

NSDL - INE 019C01026
CDSL - INE 019C01026

As on 31st March, 2013, out of the 38,57,32,570 equity shares of the Company 37,69,45,779 shares were held in Electronic form representing 97.722 % to the total paid up capital, whereas balance of 87,86,791 shares were held in physical form representing 2.278 % to the total paid up share capital of the Company.

8.14 Locations of Plants

Sr. No.	Location of Plant
1	Unit No. 1 at Liluah (Howrah), 58, N.S. Road, Liluah, Howrah - 711 204 (W. B.)
2	Unit No. 2 at Liluah (Howarh), 27-B, Gadadhar Bhatt Road, Liluah, Howrah-711 204 (W.B.)
3	Mahistikry, P.S.-Haripal, District-Hooghly (W.B.)
4	Plot No. 67, 68 & 69, Ancillary Industrial Estate, Vill: Pedagantyada, PIN – 530 013 (A.P.)
5	Vill- Jhagrah, Rajgamar Colliery, Korba- 495683 (Chhattishgarh)
6	Wind Mills Division: a. Vill- Amkhel: Taluka - Sakri, District-Dhule, Maharashtra b. Vill-Titane, Taluka - Sakri, District - Dhule, Maharashtra
7	Vapi Unit, G.I.D.C., Phase I, Vapi, Gujarat
8	Falta Special Economic Zone, J.L. No 1, Dag No: 49,50,51, Sector-II, Vill-Simulberia, P.O.-Falta, Dist - 24 Pgs (South), West Bengal -743504
9	China Unit, Longkou, Shandong, China.

8.15 Address for correspondence

All communication may be sent to Mr. B.L. Sharma, Company Secretary and Compliance Officer at the following address:

Himadri Chemicals &
Industries Limited, "Ruby House",
8, India Exchange Place, 2nd floor,
Kolkata - 700 001
Phone number: (033) 2230 9953/
2230 4363
Fax No 91-33-2230-9051,
e-mail: investors@himadri.com.

All shares related queries may be sent to the Company's Registrar and Share Transfer Agent, M/s S. K. Infosolutions Pvt. Ltd, 34/1A, Sudhir Chatterjee Street, Kolkata - 700 006. Ph No: 91-033-22196797/ 4815

8.16 Dividend remittance

Dividend on equity shares as recommended by the Board for the year ended 31st March, 2013, when declared at the meeting will be paid:

i) in respect of shares held in electronic form, to those persons whose names appear as beneficial owners in the statement (s) furnished by the Depositories as on the close of the market day prior to start of book closure and

ii) in respect of shares held in physical form, to those Shareholders whose names appear on the Company's register of members after giving effect to all valid share transfers in physical form lodged with the Company before the start of date of book close;

Members may please note that the dividend warrants shall be payable at par at the designated branches of the bank for an initial period of three months. The members are therefore advised to encash dividend warrants within the initial validity period of three months. After expiry of initial validity period, bank draft will be issued against cancellation of warrants.

8.17 Electronic Clearing Service – ECS

Members desirous of receiving dividend by direct electronic deposits of dividend vide ECS in their account may authorize the Company with their mandate. Members are requested to provide necessary details of their bank account to Company's Registrar and Share Transfer Agent, **M/s S.K. Infosolutions Pvt. Ltd**, 34/1A, Sudhir Chatterjee Street, Kolkata - 700 006. Ph No: 91-033- 22196797/ 4815.

8.18 Bank details in case of physical shareholdings

With a view to provide protection against fraudulent encashment of dividend warrants, members are requested to provide, if not provided earlier, their bank account number, bank account type, names and address of bank branches, with their folio number to Company's Registrar and Share Transfer Agent, M/s S. K Infosolutions Pvt. Ltd, 34/1A, Sudhir Chatterjee Street, Kolkata - 700 006, to enable them to print the same on dividend warrants. This is a mandatory requirement in terms of SEBI circular No. D&CC/ FITTC / CIR-04/ 2001 dated November 13, 2001.

8.19 Unclaimed / Unpaid Dividend

The amount of unclaimed dividend are lying credit in separate bank accounts. Members may please note that pursuant to Section 205-C of the Companies Act, 1956 the amount lying in credit of any unpaid dividend account if remained un-claimed for 7 years from the date they became due for payment shall be transferred to the Investor Education and Protection Fund. As on 31st March, 2013 the following amounts are unclaimed and lying credit in separate bank accounts with various banks.

Financial Year	Date of declaration	Amount Unpaid/ unclaimed as on 31.03.2013	Due date for transfer to Investor Education and Protection Fund	Banker's name in which the unpaid amount is lying
2005-06	18th September 2006	818593.00	24th October 2013	HDFC Bank Ltd
2006-07	26th September 2007	2743670.00	1st November 2014	HDFC Bank Ltd
2007-08	26th September 2008	1167786.00	1st November 2015	HDFC Bank Ltd
2008-09	17th September 2009	601370.00	23rd October 2016	State Bank of India
2009-10	28th September 2010	601281.00	3rd November 2017	State Bank of India
2010-11	28th September 2011	588211.20	3rd November 2018	State Bank of India
2011-12	29th September 2013	617148.20	4th November 2019	State Bank of India

Therefore, members who have so far not encashed their dividend warrants or have not received the dividend warrants may write to the Company or its' Share Transfer Agents for issue of duplicate dividend warrants/ drafts.

8.20 Green Initiative – Corporate Governance

The Ministry of Corporate Affairs (MCA) has introduced a "Green Initiative in Corporate Governance" by allowing paperless compliance by companies and has issued circulars No.17/ 2011 dated 21-04-2011 stating that the service of documents by a Company to its members can now be made through electronic mode in compliance of Section 53 of the Companies Act, 1956. Therefore, with a view to participate in the initiative, we request the members to provide e-mail address, if they wish to receive the documents / notices etc., of the Company through electronic mode. You may send your e-mail address to our Registrar & Share Transfer Agents, M/s **S. K. Infosolutions Pvt. Ltd** at their following e-mail address mentioning your folio No/ DP-ID/ CL-ID:- hcil@skcomputers.net

For and on behalf of the Board

Place: Kolkata
Date: 25 May 2013

Sd/-
B.L. Choudhary
Managing Director

Sd/-
S.S. Choudhary
Executive Director

PRACTISING COMPANY SECRETARIES
CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members
Himadri Chemicals & Industries Ltd

We have examined the compliance of Corporate Governance by **Himadri Chemicals & Industries Limited** for the year ended 31st March 2013, as stipulated under Clause 49 of the Listing Agreement of the said Company with Stock exchanges.

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

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

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

For Vinod Kothari & Company
Practising Company Secretaries,
Sd/-
Vinod Kothari
Proprietor
CP No. 1391

Place: Kolkata
Dated: May 25 2013

DECLARATION BY
THE MANAGING DIRECTOR

To
The members of
Himadri Chemicals & Industries Limited

Sub: Declaration under Clause 49 of the Listing Agreement

I hereby declare that all Directors and the designated personnel in the Senior Management of the Company affirmed compliance with the Code of Conduct as applicable to them for the financial year ended 31st March, 2013.

For Himadri Chemicals & Industries Ltd

Sd/-
B.L. Choudhary
Managing Director

Place: Kolkata
Date: 25 May 2013

CEO / CFO CERTIFICATION

To
The members of
Himadri Chemicals & Industries Limited
8, India Exchange Place, 2nd Floor
Kolkata- 700 001

Sub: CEO/ CFO certification in terms of Clause 49(v) of the Listing Agreement

We,

1) Bankey Lal Choudhary, the Managing Director and
2) Kamlesh Kumar Agarwal-Sr. Vice President Finance & Accounts

Certify that:

a) We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2013 and that to the best of our knowledge and belief: i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal control, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

d) We have indicated to the auditors and the Audit Committee:
   i) Significant changes in internal control over financial reporting during the year;
   ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
   iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Sd/-
B.L. Choudhary
Managing Director

Sd/-
Kamlesh Kumar Agarwal
Sr. Vice President Finance & Accounts

Place: Kolkata
Date: 25 May 2013

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To
The Members of
Himadri Chemicals & Industries Limited

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;

ii. in the case of the Statement of Profit and Loss, 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.

Report on Other Legal and Regulatory Requirements

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

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

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

   b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956; and

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

For **B S R & Co.**
Chartered Accountants
Firm Registration No.101248W

Sd/-
Vijay Bhatt
Partner
Membership No: 036647

Place: Kolkata
Date: 25 May 2013

For **S. JAYKISHAN**
Chartered Accountants
Firm Registration No. 309005E

Sd/-
B. K. Newatia
Partner
Membership No: 050251

Place: Kolkata
Date: 25 May 2013

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in our report of even date)

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

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its fixed assets. In accordance with this programme, a portion of fixed assets have been physically verified during the year and no material discrepancies were noticed on such verification.

(c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.

(ii) (a) The inventory, except stock lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stock lying with third parties as at the year end, written confirmations have been obtained by the management.

(b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) (a) The Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act 1956. Accordingly, the clauses (iii) (b) to (iii) (d) of the Order are not applicable.

(e) The Company had, in earlier year, issued Deep Discount Debentures of face value of ₹ 12,300 lakhs to a Company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year and the year-end balance of loans taken from such parties was ₹ 4,631.12 lakhs.

(f) In our opinion, the rate of interest and other terms and conditions relating to the issue of the aforesaid Deep Discount Debentures by the Company are prima facie not prejudicial to the interest of the Company.

(g) In respect of the aforesaid Deep Discount Debentures, no repayment of principal amount and interest were due during the current year. Accordingly, this clause is not applicable.

(iv) 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 with regard to purchase of inventories and fixed assets and with regard to the sale of goods. The activities of the Company do not involve rendering of services. We have not observed any major weaknesses in the internal control system during the course of the audit.

(v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

(b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of ₹ 5 lakhs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public during the year.

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

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of the products manufactured by the Company and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Professional Tax, Income-tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2013, for a period of more than 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 are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited with the appropriate authorities on account of any dispute, except as mentioned below:

Name of the statute	Nature of the dues	Amount involved (₹ in Lakhs)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax Act, 1956	Central Sales tax	462.30	2005 to 2008	Appellate & Revision Board
		22.84	2005-2006	Sales Tax Appellate Tribunal
		147.22	2006-2007	Appellate Deputy Commissioner
		170.33	2008-2009	Sr. Joint Commissioner Corporate Division
		412.96	2009-2010	Additional Commissioner of Commercial Taxes
West Bengal Value Added Tax Act, 2003	Value added tax	1,387.41	2005 to 2008	Appellate & Revision Board
		715.22	2008-2009	Sr. Joint Commissioner Corporate Division
		433.46	2009-2010	Additional Commissioner of Commercial Taxes
		257.91	2005-2006	Sr. Joint Commissioner Special Cell
Central Excise Act, 1944	Excise duty	12.98	2006 to 2009	Commissioner (Appeals)
		433.42	2006 to 2008	Custom Excise and Service Tax Appellate Tribunal
		10.07	2010 to 2012	Assistant Commissioner
		6.53	2005-2006	Supreme Court
		7.41	2007 to 2009	Additional Commissioner
		13.25	2005 to 2008	Commissioner (Appeals)
The Custom Act, 1962	Custom duty	25.83	2000–2001	Custom Excise and Service Tax Appellate Tribunal
The West Bengal Tax on Entry of Goods into Local Areas Act, 2012	Entry tax	771.76	2012-2013	Hon'ble High Court of Calcutta
Total		**5,290.90**		

(x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or debenture holders or to any financial institution.

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

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund/ nidhi/ mutual benefit fund/ society.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loan taken by a wholly owned subsidiary company from bank are not prejudicial to the interest of the Company.

(xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.

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

(xix) According to the information and explanations given to us and the records examined by us, the Company has created security as per the terms of issue of the non-convertible secured debentures.

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

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

For **B S R & Co.**
Chartered Accountants
Firm Registration No.101248W

Sd/-
Vijay Bhatt
Partner
Membership No: 036647

Place: Kolkata
Date: 25 May 2013

For **S. JAYKISHAN**
Chartered Accountants
Firm Registration No. 309005E

Sd/-
B. K. Newatia
Partner
Membership No: 050251

Place: Kolkata
Date: 25 May 2013

BALANCE SHEET as at 31 March 2013

Amount in ₹ Lakhs

Particulars	Note No.	31 March 2013	31 March 2012
I. EQUITY AND LIABILITIES			
1) Shareholders' funds			
(a) Share capital	3	3,857.33	3,857.33
(b) Reserves and surplus	4	86,294.13	85,941.35
		90,151.46	89,798.68
2) Non-current liabilities			
(a) Long-term borrowings	5	58,330.31	49,769.04
(b) Deferred tax liabilities (net)	6	8,336.84	9,014.73
(c) Other long-term liabilities	7	7,106.38	4,029.08
(d) Long-term provisions	8	4.28	-
		73,777.81	62,812.85
3) Current liabilities			
(a) Short-term borrowings	9	61,028.42	54,720.82
(b) Trade payables	10	3,768.19	2,529.15
(c) Other current liabilities	11	8,586.11	9,123.97
(d) Short-term provisions	8	476.81	468.31
		73,859.53	66,842.25
TOTAL		237,788.80	219,453.78
II. ASSETS			
1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	12	84,905.88	78,546.87
(ii) Capital work-in-progress	13	31,597.40	27,187.15
		116,503.28	105,734.02
(b) Non-current investments	14	4,694.70	4,697.00
(c) Long-term loans and advances	15	9,275.82	12,511.48
(d) Other non-current assets	16	1,219.23	0.23
		131,693.03	122,942.73
2) Current assets			
(a) Current investments	17	11,000.00	22,427.00
(b) Inventories	18	40,360.84	30,651.61
(c) Trade receivables	19	24,119.83	23,843.78
(d) Cash and bank balances	20	9,586.07	6,692.88
(e) Short-term loans and advances	21	16,757.22	11,721.72
(f) Other current assets	22	4,271.81	1,174.06
		106,095.77	96,511.05
TOTAL		237,788.80	219,453.78
Significant accounting policies	2		
Notes to financial statements	1 to 48		
The notes referred to above form an integral part of the financial statements			

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Firm's Regn No: 101248W

Sd/-
Vijay Bhatt
Partner
Membership No : 036647

For **S. Jaykishan**
Chartered Accountants
Firm's Regn No: 309005E

Sd/-
B. K. Newatia
Partner
Membership No : 050251

Place: Kolkata
Date: 25 May 2013

For and on behalf of the Board of Directors of
Himadri Chemicals & Industries Limited

Sd/-
Bankey Lal Choudhary
Managing Director

Sd/-
Shyam Sundar Choudhary
Executive Director

Sd/-
Bajrang Lal Sharma
Company Secretary

Place: Kolkata
Date: 25 May 2013

STATEMENT OF PROFIT AND LOSS for the year ended 31 March 2013

Amount in ₹ Lakhs

Particulars	Note No.	31 March 2013	31 March 2012
I. Revenue from operations			
Sale of products (gross)	23	146,570.38	124,106.25
Less: Excise duty		16,630.23	11,770.19
Sale of products (net)		129,940.15	112,336.06
II. Other Income	24	3,040.03	1,975.04
III. Total revenue		132,980.18	114,311.10
IV. Expenses			
Cost of materials consumed	25	106,054.09	80,594.08
Changes in inventories of finished goods and work-in-progress	26	(1,682.96)	(2,463.13)
Employee benefits expense	27	2,096.15	1,677.98
Finance costs	28	7,905.53	7,572.28
Depreciation and amortisation expense	12	5,217.64	4,440.55
Foreign exchange fluctuation - loss		1,086.37	4,268.00
Other expenses	29	10,597.23	10,067.53
Total expenses		131,274.05	106,157.29
V. Profit before tax		1,706.13	8,153.81
VI. Tax Expenses			
Current tax [including **₹ 29.25 lakhs** (previous year : ₹ Nil) relating to earlier years]		370.54	1,620.00
Less: MAT credit entitlement		(341.29)	(1,613.37)
Net Current Tax		29.25	6.63
Deferred tax charge/(credit)		(677.89)	1,815.53
VII. Profit for the year		2,354.77	6,331.65
Earnings per equity share [nominal value of share ₹ 1 each (previous year ₹ 1 each)]	30		
Basic		0.61	1.64
Diluted		0.61	1.56
Significant accounting policies	2		
Notes to financial statements	1 to 48		
The notes referred to above form an integral part of the financial statements			

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Firm's Regn No: 101248W

Sd/-
Vijay Bhatt
Partner
Membership No : 036647

For **S. Jaykishan**
Chartered Accountants
Firm's Regn No: 309005E

Sd/-
B. K. Newatia
Partner
Membership No: 050251

Place: Kolkata
Date: 25 May 2013

For and on behalf of the Board of Directors of
Himadri Chemicals & Industries Limited

Sd/-
Bankey Lal Choudhary
Managing Director

Sd/-
Shyam Sundar Choudhary
Executive Director

Sd/-
Bajrang Lal Sharma
Company Secretary

Place: Kolkata
Date: 25 May 2013

CASH FLOW STATEMENT for the year ended 31 March 2013

Amount in ₹ Lakhs

Particulars	31 March 2013		31 March 2012	
A. CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit before tax and extra-ordinary items		1,706.13		8,153.81
Adjustments for :				
Depreciation and amortisation expense	5,217.64		4,440.55	
Finance costs	7,905.53		7,572.28	
Interest received	(657.06)		(547.06)	
Dividend received	(0.36)		(64.53)	
Loss/ (profit) on redemption of mutual funds (current investments)	(2,261.49)		(1,292.61)	
Foreign exchange loss/ (gain)	366.40		7,039.49	
Loss on sale of vehicles	4.36		-	
		10,575.02		17,148.12
Operating cash flows before working capital changes		12,281.15		25,301.93
Adjustments for :				
(Increase)/ decrease in inventories	(9,709.23)		(5,614.89)	
(Increase)/ decrease in trade receivables	(1,439.72)		(8,202.90)	
(Increase)/ decrease in loans and advances	(2,970.68)		(1,397.81)	
(Increase)/ decrease in other assets	582.38		122.04	
Increase/ (decrease) in trade payables	1,239.04		782.90	
Increase/ (decrease) in other liabilities and provisions	(414.86)		454.64	
		(12,713.07)		(13,856.02)
Cash generated / (used) from / in operations		(431.92)		11,445.91
Direct tax paid		(657.98)		(1,865.31)
Net cash from/ (used in) operating activities		(1,089.90)		9,580.60
B. CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of fixed assets #	(13,136.35)		(26,562.31)	
(including capital work-in-progress and capital advances)				
Proceeds from sale of fixed assets	7.45		-	
Interest income received	863.33		485.33	
Dividend income received	0.36		64.53	
Advances/ loan to subsidiary (net)	1,121.96		(2,253.73)	
Proceeds from sale of investments	23,032.38		24,582.86	
Purchase of investments	(13,000.00)		(18,964.13)	
(Increase)/ decrease in fixed deposits with banks	2,172.10		3,322.69	
Net cash from/ (used in) investing activities		1,061.23		(19,324.76)

CASH FLOW STATEMENT *(Contd.)* for the year ended 31 March 2013

Amount in ₹ Lakhs

Particulars	31 March 2013		31 March 2012	
C. CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from long-term borrowings	11,881.14		117.99	
Repayment of long-term borrowings	(3,926.09)		(4,874.09)	
Increase/ (decrease) in working capital borrowings	3,796.22		19,516.43	
Interest paid	(6,156.14)		(4,459.76)	
Dividend paid	(385.73)		(385.73)	
Dividend tax paid	(62.58)		(62.58)	
Net cash from financing activities		5,146.82		9,852.26
Net increase/ (decrease) in cash and cash equivalents (A+B+C)		5,118.15		108.10
Cash and cash equivalents at the beginning of the year		2,575.31		2,439.87
(refer note 20 to the financial statements)				
Effect of exchange gain/ (loss) on cash and cash equivalents held in foreign currency		0.76		27.34
Cash and cash equivalents at the end of the year		7,694.22		2,575.31
(refer note 20 to the financial statements)				

Includes interest capitalised ₹ **1,168.95 lakhs** (previous year ₹ 2,169.93 lakhs).

Notes:

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard- 3 on 'Cash Flow Statement' notified by the Companies (Accounting Standards) Rules, 2006.
2. Figures in brackets indicate cash outflows.

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Firm's Regn No: 101248W

Sd/-
Vijay Bhatt
Partner
Membership No : 036647

For **S. Jaykishan**
Chartered Accountants
Firm's Regn No: 309005E

Sd/-
B. K. Newatia
Partner
Membership No : 050251

Place: Kolkata
Date: 25 May 2013

For and on behalf of the Board of Directors of
Himadri Chemicals & Industries Limited

Sd/-
Bankey Lal Choudhary
Managing Director

Sd/-
Shyam Sundar Choudhary
Executive Director

Sd/-
Bajrang Lal Sharma
Company Secretary

Place: Kolkata
Date: 25 May 2013

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013

Note 1 COMPANY OVERVIEW

Himadri Chemicals & Industries Limited is a public Company domiciled and headquartered in India. It is incorporated under the Companies Act, 1956 and its shares are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The Company is primarily engaged in manufacturing of carbon materials and chemicals. The Company has operations in India and caters to both domestic and international markets. The Company also has a wholly-owned subsidiary in Hong Kong in the name of Himadri Global Investment Limited which has 94% shareholding in Shandong Dawn Himadri Chemical Industry Limited in China.

Note 2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

2.1. Basis of preparation of financial statements

These financial statements have been prepared and presented under the historical cost convention on accrual basis of accounting and comply with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 notified by the Central Government, the relevant provisions of the Companies Act, 1956 and other accounting principles generally accepted in India, to the extent applicable. The financial statements are presented in Indian Rupees (in Lakhs).

2.2. Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.

2.3. Current–non-current classification

All assets and liabilities are classified into current and non-current.

2.3.1. Assets

An asset is classified as current when it satisfies any of the following criteria:

a) it is expected to be realised in, or is intended for sale or consumption in, the Company’s normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within 12 months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

2.3.2. Liabilities

A liability is classified as current when it satisfies any of the following criteria:

a) it is expected to be settled in the Company’s normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within 12 months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current.

Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 2 SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

2.4. Fixed assets and depreciation

2.4.1. Tangible fixed assets

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation/ amortization and/ or accumulated impairment loss, if any. The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditures related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Exchange differences arising in respect of translation/ settlement of long term foreign currency borrowings attributable to the acquisition of a depreciable asset are also included in the cost of the asset.

Tangible fixed assets under construction are disclosed as capital work-in-progress.

A fixed asset is eliminated from the financial statements on disposal or when no further benefit is expected from its use and disposal. Assets retired from active use and held for disposal are stated at the lower of their net book value and net realisable value and shown under 'Other current assets'.

Losses arising from retirement or gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

2.4.2. Depreciation

Depreciation for the year is recognised in the Statement of Profit and Loss.

Depreciation on fixed assets situated at Liluah Unit - I (Howrah), Vapi and Vizag is provided on written down value method and on fixed assets situated at other locations are provided on straight line method at the rates and in the manner specified in Schedule XIV to the Companies Act 1956. Depreciation is provided on a pro-rata basis i.e. from the date on which asset is ready for its intended use. Plant and equipment, furniture and fixtures and office equipments costing individually ₹ 5,000 or less, are depreciated fully in the year of purchase.

The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/ remaining useful life.

Freehold land is not depreciated. Leasehold land is amortised on a straight line basis over the period of respective lease, except land acquired on perpetual lease.

2.4.3. Impairment

Fixed assets are reviewed at each reporting date to determine if there is any indication of impairment. For assets in respect of which any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets ("Cash Generating Unit" or "CGU") that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of the assets or CGU is the greater of its value in use and its net selling price. 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 risk specific to the asset or CGU.

Impairment losses are recognised in the Statement of Profit and Loss.

If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists or has decreased, the asset or CGU's recoverable amount is estimated. For assets, the impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. Such a reversal is recognised in the Statement of Profit and Loss.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 2 SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

2.5. Operating leases

Assets acquired under leases other than finance leases are classified as operating leases. The total lease rentals (including scheduled rental increases) in respect of an asset taken on operating lease are charged to the Statement of Profit and Loss on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit. Initial direct costs incurred specifically for an operating lease are deferred and charged to the Statement of Profit and Loss over the lease term.

2.6. Investments

Investments that are readily realisable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments. However, that part of long term investments which is expected to be realised within 12 months after the reporting date is also presented under 'current assets' as "current portion of long term investments" in consonance with the current/ non-current classification scheme of the revised Schedule VI.

Long-term investments (including current portion thereof) are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments i.e., equity shares, bonds etc.

Any reductions in the carrying amount and any reversals of such reductions are charged or credited to the Statement of Profit and Loss.

2.7. Inventories

Inventories which comprise raw materials, work-in-progress, finished goods, stock-in-trade, stores and spares are carried at the lower of cost and net realisable value.

Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In determining the cost, First in first out (FIFO) method is used. In the case of manufactured inventories and work in progress, fixed production overheads are allocated on the basis of normal capacity of production facilities. Excise duty liability is included in the valuation of closing inventory of the finished goods.

Raw materials and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value. The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The comparison of cost and net realisable value is made on an item-by-item basis.

2.8. Employee benefits

2.8.1. Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by the employees.

2.8.2. Post-employment benefits

2.8.2.1. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified contributions towards employee provident fund to Government administered provident fund scheme and to Life Insurance Corporation of India (LICI) under superannuation scheme which are defined contribution plans. The Company's contribution is recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 2 SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

2.8.2.2. Defined benefit plan

The Company's gratuity benefit scheme is a defined benefit plans. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation of the Company's obligation under the plan is performed annually by a qualified actuary using the projected unit credit method. The Company recognises all actuarial gains and losses arising from defined benefit plan immediately in the Statement of Profit and Loss. All expenses related to defined benefit plan are recognised in employee benefits expense in the Statement of Profit and Loss.

The Company recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. Contributions are deposited with the Life Insurance Corporation of India based on information received by the Company.

2.8.2.3. Compensated Absences

The employees can carry forward unutilised accrued compensated absences and utilise it in next service period or receive cash compensation. Since the compensated absences fall due wholly within twelve months after the end of the period in which the employees render the related service and are also expected to be utilized wholly within twelve months after the end of such period, the benefit is classified as a short-term employee benefit. The Company records an obligation for such compensated absences in the year in which the employee renders the services that increase this entitlement. The obligation is measured at actuals at the year end as per the policy of the Company.

2.9. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from sale of goods in the course of ordinary activities is recognised when property in the goods or all significant risks and rewards of their ownership are transferred to the customer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods and regarding its collection. The amount recognised as revenue is exclusive of sales tax and value added taxes (VAT) and is net of returns, trade discounts and quantity discounts. Excise duty relating to sales is reduced from gross sales for disclosing net revenue from operations.

Earning from sale of electricity is accounted for on tariff rates agreed with respective Electricity Board and are net of discounts for prompt payment of bills.

Dividend income is recognised when the right to receive payment is established.

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

2.10. Foreign exchange transactions

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount, the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated into Indian Rupees at the closing exchange rates on that date. Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate on the date of transaction.

Exchange differences arising on the settlement or conversion of monetary assets and liabilities are recognized as income or as expense in the year in which they arise, except for:

a) Exchange differences relating to long term foreign currency monetary items accounted for in accordance with Para 46A of AS 11 ''The Effects of changes in Foreign Exchange Rates". Such exchange differences arising on long term foreign currency monetary items (original maturity of one year or more) in so far as they relate to the acquisition of depreciable capital asset have been added or deducted from the cost of the asset and depreciated over the balance useful life of the asset and in other cases have been accumulated in a Foreign Currency Monetary Item Translation Difference Account (FCMITDA) and amortized over the balance period of such long term monetary item.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 2 SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

b) Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a non-integral foreign operation are accumulated in a foreign currency translation reserve until the disposal of the net investment, at which time the accumulated amount is recognised as income or as expense.

c) The premium or discount on a forward exchange contract taken to hedge foreign currency risk of an existing asset/ liability is recognised over the period of the contract. The forward exchange contracts taken to hedge existing assets or liabilities are translated at the closing exchange rates and resultant exchange differences are recognised in the same manner as those on the underlying foreign currency asset or liability.

2.11. Derivative instruments and hedge accounting

The Company enters into derivative financial instruments with banks to hedge foreign currency risk of firm commitments and highly probable forecasted transactions and interest rate risks.

The method of recognizing the resultant gain or loss depends on whether the derivative is designated as hedging instrument, and if so, the nature of the item being hedged. To designate a derivative contract as an effective hedge, management objectively evaluates and evidence with appropriate supporting documents at the inception of each contract whether the contract is effective in offsetting cash flow attributable to the hedged risk.

These derivative contracts which qualify as cash flow hedges are recorded in accordance with the recognition and measurement principles set out in the AS 30 "Financial Instruments: Recognition and Measurement" issued by the Institute of Chartered Accountants of India. The use of hedge instruments is governed by the Company's policies approved by the Board of Directors. The Company does not use these contracts for trading or speculative purposes.

Hedging instruments are initially measured at fair value and are re-measured at subsequent reporting date at fair value. Gain/ loss arising from changes in fair values of these derivatives that are effective hedges are recongised directly in the Hedging reserve account and are recognized in the Statement of Profit and Loss in the same period or periods during which the hedged transactions affect the Statement of Profit and Loss.

When a hedged transaction is no longer expected to occur or hedging instruments either expire or are sold, terminated, exercised or no longer qualify for hedge accounting, the net cumulative gain or loss recognised in Hedging reserve account is transferred to the Statement of Profit and Loss for the year.

Gains or losses on the ineffective hedge transactions are immediately recognized in the Statement of Profit and Loss.

2.12. Provisions

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis.

2.13. Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

2.14. Income Taxes

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period).

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws. In case of tax payable as Minimum Alternative Tax ('MAT') under the provisions of the Income-tax Act, 1961, the credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 2 SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

2.15. Borrowing costs

Borrowing costs are interest and other costs incurred by the Company in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of those tangible fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred and include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Discount on issue of Deep Discount Debentures is amortized during the tenure of the debentures which is 20 years from the date of allotment.

2.16. Research and Development Expenses

Revenue expenditure on Research and Development is charged as an expense through the normal heads of account in the year in which the same is incurred. Capital expenditure incurred on equipment and facilities that are acquired for research and development activities is capitalized and is depreciated according to the policy followed by the Company.

2.17. Earnings per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

2.18. Government Grants

Grants from the government are recognized when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. Where the grant relates to a depreciable asset, its value is deducted from the gross value of the asset concerned in arriving at the carrying amount of the related asset. Grants related to non depreciable assets are credited to Capital Reserve.

2.19 Cash flow statement

Cash flows are reported using indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 3 SHARE CAPITAL

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Authorised		
700,000,000 (previous year 700,000,000) equity shares of ₹ 1 each	7,000.00	7,000.00
Issued, subscribed and fully paid up		
385,732,570 (previous year 385,732,570) equity shares of ₹ 1 each	3,857.33	3,857.33

a. **Reconciliation of shares outstanding at the beginning and at the end of the reporting year**

Particulars	31 March 2013		31 March 2012	
	Number of shares	Amount	Number of shares	Amount
Equity Shares				
At the commencement of the year	385,732,570	3,857.33	385,732,570	3,857.33
Add: Issued during the year	-	-	-	-
At the end of the year	385,732,570	3,857.33	385,732,570	3,857.33

b. **Rights, preferences and restrictions attached to equity shares**

The Company has a single class of equity shares with par value of ₹ 1 per share. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shareholders are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

c. **Particulars of shareholders holding more than 5% shares of a class of shares**

Particulars	31 March 2013		31 March 2012	
	Number of shares	% of total shares in the class	Number of shares	% of total shares in the class
Equity shares of ₹ 1 each fully paid up held by:				
BC India Investments	103,178,860	26.75%	103,178,860	26.75%
CITI Group Venture Capital International	47,053,425	12.20%	47,391,210	12.29%
Himadri Dyes & Intermediates Limited	98,284,310	25.48%	98,284,310	25.48%
Himadri Industries Limited	46,140,000	11.96%	46,140,000	11.96%

d. **Shares reserved for issue under options:**

For details of equity shares reserved for issue on conversion of Foreign Currency Convertible Bonds (FCCB) which were issued by the Company on 13 April 2009, refer note 5 regarding terms of conversion/ redemption of Foreign Currency Convertible Bonds.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 4 RESERVES AND SURPLUS

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Capital reserve		
At the commencement and at the end of the year	**1,280.50**	1,280.50
Securities premium account		
At the commencement and at the end of the year	**39,576.97**	39,576.97
Debenture redemption reserve		
At the commencement of the year	1,000.00	500.00
Amount transferred from surplus	2,345.00	500.00
At the end of the year	**3,345.00**	1,000.00
General reserve		
At the commencement of the year	11,517.44	10,017.44
Amount transferred from surplus	-	1,500.00
At the end of the year	**11,517.44**	11,517.44
Foreign exchange translation reserve		
At the commencement of the year	506.06	(106.09)
Movement during the year	(506.06)	612.15
At the end of the year	-	506.06
Hedging reserve [refer note 35(c)]		
At the commencement of the year	(1,630.66)	(355.74)
Movement during the year	(1,004.14)	(1,274.92)
At the end of the year	**(2,634.80)**	(1,630.66)
Foreign currency monetary item translation difference account		
At the commencement of the year	-	-
Exchange gain/ (loss) during the year on foreign currency term loan	(40.50)	-
At the end of the year	**(40.50)**	-
Surplus (Profit and loss balance)		
At the commencement of the year	33,691.04	29,807.70
Profit/ (loss) for the year	2,354.77	6,331.65
Appropriations		
Proposed equity dividend [Amount ₹ **0.10** per share (previous year ₹ 0.10 per share)]	(385.73)	(385.73)
Tax on proposed equity dividend	(65.56)	(62.58)
Transfer to debenture redemption reserve	(2,345.00)	(500.00)
Transfer to general reserve	-	(1,500.00)
At the end of the year	**33,249.52**	33,691.04
Total reserves and surplus	**86,294.13**	85,941.35

Note 5 LONG-TERM BORROWINGS

Amount in ₹ Lakhs

Particulars	Non-current portion		Current maturities	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Bonds / debentures				
12,300 (previous year 12,300) Deep Discount Debentures of ₹ 100,000 each (unsecured)	12,300.00	12,300.00	-	-
Less: Discount on issue of Deep Discount Debentures to the extent not written off or adjusted	7,668.88	8,171.83	-	-
	4,631.12	4,128.17	-	-

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Amount in ₹ Lakhs

Particulars	Non-current portion		Current maturities	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
2,500,000 (previous year 2,500,000) 10% Redeemable Non-Convertible Debentures of ₹ 400 each (secured)	10,000.00	10,000.00	-	-
1,000 (previous year 1,000) 9.60% Redeemable Non-Convertible Debentures of ₹ 1,000,000 each (secured)	10,000.00	10,000.00	-	-
70 (previous year 70) Foreign Currency Convertible Bonds of USD 100,000 each (unsecured)	3,807.25	3,580.96	-	-
	28,438.37	27,709.13	-	-
Term loans				
Rupee loans (secured)				
From banks	8,650.00	225.00	225.00	1,435.71
Foreign currency loans (secured)				
From banks	15,810.48	15,787.24	3,624.76	1,559.30
From others	5,099.00	5,691.16	951.81	703.40
	29,559.48	21,703.40	**4,801.57**	3,698.41
Loan against vehicles and equipments (secured)	62.46	86.51	89.22	76.00
Deferred payment liabilities				
Sales tax deferment (unsecured)	270.00	270.00	-	-
	58,330.31	49,769.04	**4,890.79**	3,774.41
The above amount includes				
Secured borrowings	49,621.94	41,789.91	4,890.79	3,774.41
Unsecured borrowings	8,708.37	7,979.13	-	-
Amount disclosed under the head - "Other current liabilities" (refer note 11)	-	-	(4,890.79)	(3,774.41)
	58,330.31	49,769.04	-	-

(A) Terms of repayment/ conversion

(i) Bonds / debentures

a) The Company on 24 September 2001 had issued Deep Discount Debentures of face value of ₹ 100,000 each aggregating ₹ 12,300.00 lakhs at a discount of 90% on face value and are redeemable at par at the end of 20 years from the date of allotment. The Deep Discount Debentures carry an implicit rate of interest of approximately 12.18% compounded annually.

b) The Company on 24 August 2010 had issued 10% Redeemable Non-convertible Debentures of face value of ₹ 400 each aggregating ₹ 10,000.00 lakhs to be redeemed at par at the end of 10 years from the date of allotment.

c) The Company on 28 June 2010 had issued 9.60% Redeemable Non-convertible Debentures of face value of ₹ 1,000,000 each aggregating ₹ 10,000.00 lakhs to be redeemed at par at the end of 10 years from the date of allotment. These debentures can be redeemed at par on or after 7 years from the date of allotment, at the option of the either party.

d) The Company on 13 April 2009 had issued 70 Foreign Currency Convertible Bonds (FCCB) of face value of USD 100,000 each aggregating USD 70 lakhs to International Finance Corporation (IFC). As per the terms of the issue, the bond holder has an option of converting these bonds into equity shares within a period of 7 years from the date of issue at an initial conversion price of ₹ 13.50 per equity share of face value of ₹ 1 each at the foreign exchange rate prevailing on the date of conversion request. In case the conversion option is not exercised, the outstanding FCCBs would be redeemed at par together with interest accrued at the rate of 6 months LIBOR + spread of 3.35% per annum accrued on a compounded 6 monthly basis. As at 31 March 2013, conversion option has not been exercised in respect of the above FCCBs. During the year, the Company made provision of ₹ 619.86 lakhs as interest on outstanding FCCBs.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

(ii) Term loans

a) Name of the lendor	Loan Outstanding as at 31 March 2013 (in lakhs)	Period of maturity with respect to Balance Sheet date	Number of installments outstanding as at 31 March 2013	Installment Amount (in lakhs)
Rupee loans (secured)				
Citibank N.A.	₹ 225.00	1 month	1	₹ 225.00 - repayable at quarterly rest
	(₹ 1,125.00)	(1 year 1 month)	(5)	
The Hongkong and Shanghai Banking Corporation Limited	-	-	-	₹ 267.86 - repayable at quarterly rest
	(₹ 535.71)	(6 months)	(2)	
The Hongkong and Shanghai Banking Corporation Limited	₹ 4,150.00	1 year 1 month	1	₹ 4,150.00 - bullet repayment
	(-)	(-)	(-)	
Deutsche Bank AG	₹ 4,500.00	450 days	1	₹ 4,500.00 - bullet repayment
	(-)	(-)	(-)	

Rupee term loans carry an average interest rate of 10.11% per annum (previous year 9.49% per annum).

a) Name of the lendor	Loan Outstanding as at 31 March 2013 (in lakhs)	Period of maturity with respect to Balance Sheet date	Number of installments outstanding as at 31 March 2013	Installment Amount (in lakhs)
Foreign currency borrowings				
ICICI Bank Limited (ECB)	₹ 3,730.33 JPY 6,458.33	7 years 5 months	15	JPY 430.56 - repayable at half yearly rest
	(₹ 4,557.41) (JPY 7,319.44)	(8 years 5 months)	(17)	
The Hongkong and Shanghai Banking Corporation Limited (ECB)	₹ 8,158.40 USD 150.00	3 years 11 months	16	USD 9.38 - repayable at quarterly rest
	(₹ 7,673.48) (USD 150.00)	(4 years 11 months)	(16)	
DBS Bank Limited (ECB)	₹ 4,351.14 USD 80.00	3 years 9 months	8	USD 10.00 - repayable at half yearly rest
	(₹ 5,115.65) (USD 100.00)	(4 years 9 months)	(10)	
International Finance Corporation (ECB)	₹ 2,991.41 USD 55.00	5 years 6 months	11	USD 5.00 - repayable at half yearly rest
	(₹ 3,325.17) (USD 65.00)	(6 years 6 months)	(13)	
DEG - Deutsche Investitionsund Entwicklungsgesellschaft MBH (ECB)	₹ 3,059.40 USD 56.25	7 years 6 months	30	USD 1.88 - repayable at quarterly rest
	(₹ 3,069.39) (USD 60.00)	(8 years 6 months)	(32)	
Citibank N.A. (FCNRB)	₹ 3,195.37 USD 58.75	1 year 1 month	1	USD 58.75 - bullet repayment
	(-)	(-)	(-)	

Foreign currency loans carry an average interest rate of **Libor + 3.03%** per annum (previous year - Libor + 3.07% per annum).

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

b) The Company had been granted sales tax deferment by the Government of Andhra Pradesh under the "Target 2000 - New Industrial Policy."

The same is repayable from the end of the 14th year without payment of interest during the period from August 2014 to October 2017.

c) Loans against vehicles and equipments are for a period of three years and repayable by way of equated monthly instalments.

(B) Details of security

i) 10% Redeemable Non-convertible Debentures and 9.60% Redeemable Non-convertible Debentures issued to Life Insurance Corporation of India Limited and ICICI Bank Limited, respectively, aggregating to ₹ 20,000.00 lakhs are secured by way of Equitable Mortgage on land situated at Mouza Maharaj Pura Dist – Mahesana (Gujarat), First Pari Passu charge on immovable properties (Leasehold Land) situated at Mahistikry and hypothecation of all movable fixed assets (including plant and machinery) of the Company in favour of Axis Trustee Services Limited, being the trustee of the Debenture Holders.

ii) Rupee term loan from Citi Bank N.A., Foreign currency borrowings from International Finance Corporation (IFC), The Hongkong and Shanghai Banking Corporation Limited (HSBC) and DBS Bank Limited (DBS) are secured by way of mortgage of immovable properties (Leasehold Land) and hypothecation of all movable fixed assets (including plant and machinery) situated at Mahistikry Unit, Liluah Unit, and Vishakhapatnam Unit on pari passu basis with other lenders.

iii) Foreign currency borrowings from DEG - Deutsche Investitionsund Entwicklungsgesellschaft MBH (DEG) and ICICI Bank Limited are secured by way of mortgage of immovable properties (Leasehold Land) and hypothecation of movable fixed assets (including plant and machinery) situated at Mahistikry on pari passu basis with other lenders.

iv) Foreign currency loan from Citibank N.A. and rupee term loan from The Hongkong and Shanghai Banking Corporation Limited and Deutsche Bank AG are secured by way of pledge of investments in mutual funds. Maturity proceeds of certain investments, redeemed towards the end of the year, are subsequently invested and pledged.

v) Loans against vehicles and equipment are secured by way of hypothecation of the underlying asset financed.

Note 6 DEFERRED TAX LIABILITIES (NET)

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Deferred tax liabilities		
Excess of depreciation/ amortisation on fixed assets under income-tax law over depreciation/ amortisation provided in accounts	**13,121.38**	10,836.29
Deferred tax assets		
Unabsorbed depreciation	2,986.87	850.70
Disallowances under Income Tax Act, 1961	1,797.67	970.86
	4,784.54	1,821.56
Deferred tax liability (net)	**8,336.84**	9,014.73

Note 7 OTHER LONG-TERM LIABILITIES

Derivative contracts payable (refer note 35(b))	6,486.52	4,029.08
Interest accrued but not due on borrowings	619.86	-
	7,106.38	4,029.08

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 8 PROVISIONS

Amount in ₹ Lakhs

Particulars	Long-term		Short-term	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Provision for employee benefits:				
Gratuity (Refer note 38)	4.28	-	11.80	9.55
Compensated absences	-	-	13.72	10.45
Others:				
Proposed equity dividend	-	-	385.73	385.73
Tax on proposed equity dividend	-	-	65.56	62.58
	4.28	-	476.81	468.31

Note 9 SHORT-TERM BORROWINGS

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Working capital loans		
From banks (secured)		
Rupee loans	202.22	10,556.74
Foreign currency loans	56,537.51	44,164.08
	56,739.73	54,720.82
From banks (unsecured)		
Rupee loans	2,824.44	-
Foreign currency loans	1,464.25	-
	4,288.69	-
	61,028.42	54,720.82

Details of security

Working capital loans from banks aggregating ₹ **53,893.74 lakhs** are secured by hypothecation of currents assets of the Company both present and future on pari passu basis and ₹ **2,845.99 lakhs** are secured by pledge of investments in mutual funds. These loans include ₹ **6,677.47 lakhs** (previous year ₹ 9,201.56 lakhs), being personally guaranteed by the promoter directors of the Company.

Note 10 TRADE PAYABLES

Trade payables	3,768.19	2,529.15
	3,768.19	2,529.15

For dues to micro, small and medium enterprises (refer note 36)

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 11 OTHER CURRENT LIABILITIES

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Current maturities of long-term debt (refer note 5)	4,890.79	3,774.41
Interest accrued but not due on borrowings	355.23	509.19
Unclaimed dividend *	71.38	70.66
Capital creditors	739.90	412.84
Derivative contracts payable [refer note 35(b)]	996.89	2,400.29
Statutory dues	1,448.66	1,830.65
Advances received from customers	47.57	51.18
Other payables#	35.69	74.75
	8,586.11	9,123.97

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at 31 March 2013.

Includes amount due towards employee benefits and security deposits.

Note 12 TANGIBLE ASSETS

Amount in ₹ Lakhs

Particulars	Freehold Land	Leasehold Land	Buildings	Plant and equipments	Furniture and fixtures	Vehicles	Office equipments	Total
Gross Block								
Balance as at 1 April 2011	2,092.87	241.11	4,655.50	59,052.16	602.44	568.19	1,032.00	68,244.27
Additions	822.64	-	841.84	21,913.11	51.02	147.97	262.54	24,039.12
Disposals	-	-	-	-	-	-	-	-
Other adjustments :								
- Exchange differences	-	-	-	1,751.94	-	-	-	1,751.94
- Borrowing costs	-	-	69.32	913.15	-	-	-	982.47
Balance as at 31 March 2012	2,915.51	241.11	5,566.66	83,630.36	653.46	716.16	1,294.54	95,017.80
Additions	668.58	63.24	617.71	7,329.25	25.22	92.66	69.68	8,866.34
Disposals	-	-	-	-	-	(37.14)	-	(37.14)
Other adjustments :								
- Exchange differences	-	-	-	1,988.18	-	-	-	1,988.18
- Borrowing costs	-	-	52.28	681.67	-	-	-	733.95
Balance as at 31 March 2013	3,584.09	304.35	6,236.65	93,629.46	678.68	771.68	1,364.22	106,569.13
Depreciation								
Balance as at 1 April 2011	-	-	793.60	10,411.48	110.04	328.71	386.55	12,030.38
Depreciation for the year	-	-	177.26	4,032.93	38.49	39.99	151.88	4,440.55
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-
Balance as at 31 March 2012	-	-	970.86	14,444.41	148.53	368.70	538.43	16,470.93
Depreciation for the year	-	-	202.10	4,740.18	43.40	58.72	173.24	5,217.64
Accumulated depreciation on disposals	-	-	-	-	-	(25.32)	-	(25.32)
Balance as at 31 March 2013	-	-	1,172.96	19,184.59	191.93	402.10	711.67	21,663.25
Net Block								
As at 31 March 2012	2,915.51	241.11	4,595.80	69,185.95	504.93	347.46	756.11	78,546.87
As at 31 March 2013	3,584.09	304.35	5,063.69	74,444.87	486.75	369.58	652.55	84,905.88

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 13 CAPITAL WORK-IN-PROGRESS

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
At the beginning of the year	27,187.15	28,606.55
Add: Incurred during the year	13,013.17	22,430.02
Less: Capitalised during the year	(8,602.92)	(23,849.42)
At the end of the year	**31,597.40**	27,187.15
Capital work-in-progress includes:		
a) Expenditure during construction period on substantial expansion / new industrial units of the Company as under:		
Opening Balance	**3,014.66**	3,633.32
Incurred during the year		
Consumables stores and spares	2.43	1.76
Employee benefits expense	3.80	48.26
Power and fuel	24.09	64.78
Rates and taxes	2.98	5.30
Repairs and maintenance	0.12	33.55
Insurance	0.26	22.20
Finance cost		
Interest expense	1,168.95	2,169.93
Other borrowing costs	0.04	31.99
Applicable net (gain)/ loss on foreign currency		
transactions and translations	-	510.76
Rent	-	7.04
Miscellaneous expenses *	477.06	302.92
	1,679.73	3,198.49
Less:		
Interest received on fixed deposits	-	(137.07)
Profit on redemption of mutual funds (Current investments)	(228.98)	(850.10)
Capitalised during the year	(824.45)	(2,829.98)
	(1,053.43)	(3,817.15)
Closing balance	**3,640.96**	3,014.66

b) **₹ 383.50 lakhs** (previous year ₹ 483.46 lakhs), being exchange differences recognised under Para 46A of Accounting Standard - 11 "The Effects of Changes in Foreign Exchange Rates".

* Includes consultancy charges, inspection charges, testing charges, etc.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 14 NON-CURRENT INVESTMENTS *(Valued at cost)*

Amount in ₹ Lakhs

Particulars	Number of shares as at 31 March 2013	Number of shares as at 31 March 2012	31 March 2013	31 March 2012
Trade investments - unquoted:				
Investment in equity instruments				
Himadri Global Investment Limited, a wholly owned subsidiary (face value - HKD 1 each, fully paid up)	70,783,680	70,783,680	4,497.61	4,497.61
			4,497.61	4,497.61
Other non-current investments:				
Quoted investments				
Investment in equity instruments (fully paid up)				
ACC Limited (face value - ₹ 10 each)	1,275	1,275	1.95	1.95
Himadri Credit & Finance Limited (face value - ₹ 10 each)	334,900	334,900	33.49	33.49
New Delhi Television Limited (face value - ₹ 4 each)	1,400	1,400	0.98	0.98
Transchem Limited (face value - ₹ 10 each)	8,000	8,000	2.40	2.40
			38.82	38.82
Unquoted investments				
Investment in equity instruments (fully paid up)				
Himadri Dyes & Intermediates Limited (face value - ₹ 10 each)	720,000	720,000	72.00	72.00
Himadri E-Carbon Limited (face value - ₹ 10 each)	17,000	40,000	1.70	4.00
Himadri Industries Limited (face value - ₹ 10 each)	493,300	493,300	84.50	84.50
			158.20	160.50
Government securities (unquoted)				
Kisan Vikas Patra (Lodged with sales tax authorities)			0.07	0.07
			0.07	0.07
			4,694.70	4,697.00

The aggregate book value of unquoted non-current investments and book value and market value of quoted non-current investments are as follows:

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Aggregate book value of unquoted non-current investments	4,655.88	4,658.18
Quoted non-current investments		
Aggregate book value	38.82	38.82
Aggregate market value	51.13	52.63

[includes ₹ **33.49 lakhs** (previous year ₹ 33.49 lakhs) where cost has been considered as market value in absence of availability of market quote]

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 15 LONG-TERM LOANS AND ADVANCES *(Unsecured, Considered Good)*

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
To parties other than related parties		
Capital advances	175.45	1,051.51
Security and other deposits	3,287.29	3,354.12
MAT credit entitlement	5,272.67	4,931.38
Advance income tax	540.41	227.86
[net of provision for income tax ₹ **4,731.29** lakhs (previous year ₹ 4,390.00 lakhs)]		
To related party - subsidiary		
Loan given to Himadri Global Investment Limited	-	2,946.61
	9,275.82	12,511.48

Note 16 OTHER NON-CURRENT ASSETS *(Unsecured, considered good)*

Trade receivables (refer note 19)	1,163.67	-
Bank deposits due to mature after 12 months of the reporting date (refer note 20)	54.56	0.22
Interest accrued on fixed deposits	1.00	0.01
	1,219.23	0.23

Note 17 CURRENT INVESTMENTS

Amount in ₹ Lakhs

Particulars	Number of units as at 31 March 2013	Number of units as at 31 March 2012	31 March 2013	31 March 2012
(i) Current portion of long-term investments (at cost)				
Mutual funds - quoted				
Birla Sun Life Fixed Term Plan Series DT Growth	-	16,000,000	-	1,600.00
Templeton India Short Term Income Retail Plan - Growth	-	120,639	-	2,500.00
ICICI Prudential MF FMP Series 63-1 Y Plan B Cumulative	-	15,000,000	-	1,500.00
Kotak MF FMP Series 62 - Growth	-	16,270,000	-	1,627.00
Kotak MF FMP Series 66 - Growth	-	15,000,000	-	1,500.00
Kotak MF FMP Series 79 - Growth	-	15,000,000	-	1,500.00
Reliance Regular Saving Fund -Debt Plan - Institutional Growth Plan	-	19,293,845	-	2,700.00
Reliance Fixed Horizon Fund XIX Series 5 - Growth Plan	-	20,000,000	-	2,000.00
DSP Blackrock FMP Series 39 - 12M - Growth	-	15,000,000	-	1,500.00
HDFC FMP 370D March 2012 (1) - Growth Series XXI	-	10,000,000	-	1,000.00
HSBC MF Fixed Term Series 82 - Growth	-	40,000,000	-	4,000.00
HSBC MF Fixed Term Series 83 - Growth	-	10,000,000	-	1,000.00

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Amount in ₹ Lakhs

Particulars	Number of units as at 31 March 2013	Number of units as at 31 March 2012	31 March 2013	31 March 2012
(ii) Other investments (at the lower of cost and fair value)				
Mutual funds - quoted				
UTI Bond Fund - Growth Plan - Regular	**18,693,870**	-	6,500.00	-
Kotak Bond Scheme Plan A - Growth	**7,424,963**	-	2,500.00	-
Reliance Dynamic Bond Fund - Growth Plan	**12,956,641**	-	2,000.00	-
			11,000.00	22,427.00
Quoted current investments				
Aggregate book value			**11,000.00**	22,427.00
Aggregate market value			**11,099.59**	23,035.95

Investments amounting to ₹ **11,000.00 lakhs** (previous year ₹ 21,427.00 lakhs) are pledged with banks against various credit facilities availed by the Company.

Note 18 INVENTORIES *(Valued at the lower of cost and net realisable value)*

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Raw materials [including goods-in-transit ₹ **2,197.09** lakhs (previous year ₹ Nil)]	22,486.39	14,902.31
Work-in-progress	9,615.15	2,544.44
Finished goods	6,737.31	12,125.06
Packing materials	200.49	154.25
Stores and spares	1,321.50	925.55
	40,360.84	30,651.61

Note 19 TRADE RECEIVABLES *(Unsecured and considered good)*

Receivables outstanding for a period exceeding six months from the date they became due for payment	1,493.62	1,429.15
Less: Non current portion disclosed under note 16	1,163.67	-
	329.95	1,429.15
Other receivables	23,789.88	22,414.63
	24,119.83	23,843.78

Note 20 CASH AND BANK BALANCES

Cash and cash equivalents		
Cash on hand	14.40	49.92
Cheques on hand	1,955.36	1,117.95
Balances with banks		
On current accounts	3,399.94	526.55
On EEFC accounts	1,489.52	880.89
On deposit accounts (with original maturity of 3 months or less)	835.00	-
	7,694.22	2,575.31

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Other bank balances		
Bank deposits due to mature within 12 months of the reporting date	1,820.20	4,046.64
Fixed deposits held as margin money	0.27	0.27
Unpaid dividend accounts	71.38	70.66
	1,891.85	4,117.57
	9,586.07	6,692.88
Details of balance with banks on deposit account ^		
Deposits with original maturity of 3 months or less included under 'Cash and cash equivalents'	835.00	-
Deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	1,820.20	4,046.64
Deposits due to mature after 12 months of the reporting date included under 'Other non-current assets' (refer note 16)	54.56	0.22
	2,709.76	4,046.86

^ Bank deposits aggregating ₹ **1,874.76 lakhs** (previous year ₹ 47.13 lakhs) have been pledged with the banks against guarantees/ letter of credit issued on behalf of the Company.

Note 21 SHORT-TERM LOANS AND ADVANCES *(Unsecured, considered good)*

Particulars	31 March 2013	31 March 2012
To parties other than related parties		
Advances for supplies	7,915.48	6,781.97
Advance to employees	55.26	52.35
Other advances $	102.40	110.98
Balance with central excise and cenvat receivable	5,072.88	3,726.85
Sales tax deposit and VAT receivable	1,228.99	680.87
Income tax refundable	98.04	123.15
To related parties - subsidiaries		
Short term loan to:		
Himadri Global Investment Limited	2,023.10	-
Advance for supplies to:		
Shandong Dawn Himadri Chemical Industry Limited	261.07	245.55
	16,757.22	11,721.72

$ Includes prepaid expenses and advance for expenses.

Note 22 OTHER CURRENT ASSETS *(Unsecured, considered good)*

Particulars	31 March 2013	31 March 2012
Interest accrued on fixed deposits	5.08	212.34
Incentive receivable	332.14	332.14
Insurance claim receivable	15.41	629.58
Receivable against redemption of mutual funds	3,887.39	-
Other receivables	31.79	-
	4,271.81	1,174.06

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 23 REVENUE FROM OPERATIONS

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Sale of products		
Carbon materials and chemicals	145,593.04	123,645.33
Power	977.34	460.92
	146,570.38	124,106.25

Note 24 OTHER INCOME

Interest on fixed deposits with banks	521.44	384.97
Interest on loan to subsidiary company	135.62	162.09
Dividend income		
Long-term investments	0.36	0.40
Current investments	-	64.13
Profit on redemption of mutual funds (current investments)	2,261.49	1,292.61
Insurance and other claims	25.82	15.74
Miscellaneous income	95.30	55.10
	3,040.03	1,975.04

Note 25 COST OF MATERIALS CONSUMED

Inventory of raw materials at the beginning of the year	14,902.31	11,368.63
Purchases	113,638.17	84,127.76
	128,540.48	95,496.39
Less : Inventory of raw materials at the end of the year	22,486.39	14,902.31
	106,054.09	80,594.08
Details of raw materials consumed		
Coal Tar, Pitch	89,454.81	70,799.91
Other chemicals	16,599.28	9,794.17
	106,054.09	80,594.08

Break-up into imported and indigenous

Particulars	31 March 2013		31 March 2012	
	% of total consumption	Amount	% of total consumption	Amount
Imported	**38.02%**	**40,320.13**	30.45%	24,542.36
Indigenous	**61.98%**	**65,733.96**	69.55%	56,051.72
	100.00%	**106,054.09**	100.00%	80,594.08

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 26 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Opening stock		
Finished goods	12,125.06	11,817.39
Work-in-progress	2,544.44	388.98
	14,669.50	12,206.37
Closing stock		
Finished goods	6,737.31	12,125.06
Work-in-progress	9,615.15	2,544.44
	16,352.46	14,669.50
	(1,682.96)	(2,463.13)

Note 27 EMPLOYEE BENEFITS EXPENSE

Particulars	31 March 2013	31 March 2012
Salaries, wages and bonus @	1,762.50	1,395.92
Contribution to provident and other funds	86.54	78.98
Gratuity (refer note 38)	26.43	15.50
Staff welfare expenses	220.68	187.58
	2,096.15	1,677.98

@ includes ₹ **166.77 lakhs** (previous year ₹ 121.55 lakhs) relating to employees on deputation.

Note 28 FINANCE COSTS

Particulars	31 March 2013	31 March 2012
Interest expense ^	6,113.21	4,257.83
Amortisation of discount on debenture	502.95	448.33
Other borrowing costs	508.83	413.93
Net loss on foreign currency transactions and translation to the extent regarded as borrowing costs #	780.54	2,452.19
	7,905.53	7,572.28

^ Interest expense for the year ended 31 March 2013 includes interest on Foreign currency convertible bonds (FCCBs) amounting to ₹ 436.01 lakhs related to prior periods till 31 March 2012.

The Company had previously exercised the option under para 46A of Notification No. GSR 914(E) dated 29 December 2011 issued by Ministry of Corporate Affairs (MCA) on Accounting Standard 11 - "The Effects of Changes in Foreign Exchange Rates". Pursuant to the clarification dated 25 August 2012 issued by MCA, the Company has capitalized foreign exchange differences amounting to ₹ 709.07 lakhs pertaining to the year ended 31 March 2012, which was earlier treated as borrowing cost as per Accounting Standard 16 "Borrowing Costs".

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 29 OTHER EXPENSES

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Consumption of stores and spare parts [refer note (a) below]	237.39	168.67
Power and fuel * [refer note (b) below]	1,128.94	1,170.29
Excise duty related to increase/ (decrease) in inventory of finished goods	(998.91)	379.57
Rent	166.74	153.45
Rates and taxes	93.96	61.78
Repairs to:		
Building *	98.85	66.65
Plant and machinery *	847.07	649.95
Others *	335.92	258.88
Payment to auditors [refer note (c) below]	37.17	18.21
Rebates and discounts	0.77	30.17
Insurance	286.06	351.97
Packing expenses	1,075.29	987.41
Freight and forwarding expenses	4,329.16	3,409.74
Commission on sales	766.59	647.12
Miscellaneous expenses	2,192.23	1,713.67
	10,597.23	10,067.53
* includes stores and spares consumed	**679.57**	452.40

a. **Imported and indigenous consumable stores and spares:**

Particulars	31 March 2013		31 March 2012	
	% of total consumption	Amount	% of total consumption	Amount
Imported	2.64%	24.17	-	-
Indigenous	97.36%	892.79	100.00%	621.07
	100.00%	**916.96**	100.00%	621.07

b. **Power and fuel includes expenses incurred on operation of the power plant:**

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Consumption of stores and spare parts	62.34	65.20
Fuel consmption	96.40	153.51
Repairs and maintainence	113.72	55.98
Other operational expenses	114.45	89.56
Total	**386.91**	364.25

c. **Payments to auditors:**

As auditor		
Statutory audit	21.00	10.00
Tax audit	2.00	2.00
Limited review of quarterly results	6.75	1.85
For company law matters	0.30	0.25
For other services	5.41	4.11
For reimbursement of expenses	1.71	-
	37.17	18.21

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 30 EARNINGS PER SHARE (EPS)

Amount in ₹ Lakhs

Particulars		31 March 2013	31 March 2012
Profit attributable to Equity Shareholders (₹ in lakhs) (used as numerator for calculating Basic EPS)	(a)	2,354.77	6,331.65
Add: Interest on Foreign Currency Convertible Bonds (net of tax)	(b)	418.75	-
Profit adjusted for the effects of dilutive potential equity shares for calculation of diluted EPS (₹ in lakhs)	(c)=(a) + (b)	**2,773.52**	6,331.65
Weighted average number of equity shares (used as denominator for calculating Basic EPS)	(d)	385,732,570	385,732,570
Add: Effect of potential equity shares to be issued under Foreign Currency Convertible Bonds (FCCBs)	(e)	12,157,818	18,919,486
Weighted average number of equity shares (used as denominator for calculating Diluted EPS)	(f) = (d) + (e)	397,890,388	404,652,056
Basic EPS of ₹ 1 each	(g) = (a) / (d)	**0.61**	1.64
Diluted EPS of ₹ 1 each *	(h) = (c) / (f)	**0.61**	1.56

* For the purpose of computation of dilutive EPS for the year ended 31 March 2013, potential equity shares that could arise on conversion of Foreign Currency Convertible Bonds are not resulting in dilution of EPS. Hence, they have been considered as anti-dilutive.

Note 31 CONTINGENT LIABILITIES AND COMMITMENTS *(to the extent not provided for)*

a) Contingent Liabilities:

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
(i) Bills discounted with banks	-	5,816.94
(ii) Standby letter of credit issued on behalf of the Company to secure the financial assistance to its subsidiary	**3,306.87**	1,534.70
(iii) Interest on Foreign Currency Convertible Bonds	-	436.01
(iv) Sales tax matters in dispute/ under appeal	**4,038.69**	257.91
(v) Excise/ Service Tax matters in dispute/under appeal	**483.67**	228.25
(vi) Customs matters in dispute/ under appeal	**28.83**	28.83

b) Commitments:

i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**343.74**	1,752.94
ii) Estimated amount of export obligations to be fulfilled in respect of goods imported under advance license/ Export Promotion Capital Goods Scheme (EPCG)	**10,068.13**	9,192.58

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 32 CIF VALUE OF IMPORTS

Amount in ₹ Lakhs

Item	31 March 2013	31 March 2012
Raw materials	44,605.60	20,866.42
Stores and spares	134.13	-
Packing materials	32.62	-
Capital goods	807.78	733.13
	45,580.13	21,599.55

Note 33 EXPENDITURE IN FOREIGN CURRENCY

Travelling expenses	126.15	126.33
Professional and consultancy expenses	204.19	152.83
Commitment charges	14.18	84.21
Interest cost	3,786.78	2,280.09
Others	106.33	109.04

Note 34 EARNINGS IN FOREIGN CURRENCY

F.O.B. value of exports	7,612.76	14,630.05
Interest on loan to subsidiary	135.62	162.09
Others	25.12	-

Note 35 AMOUNTS RECEIVABLE/ PAYABLE IN FOREIGN CURRENCY

(a) The Company uses various forms of derivative instruments such as foreign exchange forward contracts, options, cross currency swaps and interest rate swaps to hedge its exposure to movements in foreign exchange and interest rates.

(b) Forward contracts / hedging instruments outstanding as at balance sheet date:

Nature and number of contract	Currency Pair	Position	Amount (Foreign currency in lakhs)	
			31 March 2013	31 March 2012
Forward contracts [Nil, (previous year 4)]	EURO/USD	Sell	-	600.00
Forward contracts [5, (previous year 12)]	USD/INR	Sell	150.00	545.00
Cross currency swaps [9, (previous year 9)]	USD/INR	Sell	440.10	462.49
Cross currency swaps [1, (previous year 1)]	USD/JPY	Sell	6,458.33	7,319.44
Interest rate swaps [3, (previous year 2)]	USD/INR	Notional Principal	246.12	108.05
Interest rate swaps [4, (previous year Nil)]	USD-Floating to Fixed	Notional Principal	341.25	-
Interest rate swaps [1, (previous year 1)]	JPY/INR	Notional Principal	4,733.69	4,733.69
Currency swaps [7, (previous year 37)]	JPY/USD	Buy	11,895.11	20,304.51

(c) All derivative contracts outstanding as at the year end are marked to market. The Company has applied the hedge accounting principles set out in the Accounting Standard (AS) 30 Financial Instruments: Recognition and Measurement.

Accordingly, loss aggregating to **₹ 2,634.81 lakhs** (previous year ₹ 1,630.66 lakhs), being the effective portion of the contracts designated as effective hedges for future cash flows has been recognised in the Hedging Reserve Account to be ultimately recognised in the Statement of Profit and Loss, depending on the exchange rate fluctuation till and when the underlying forecasted transactions occur.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Gain/ loss on contracts not designated as effective hedges and ineffective portion of the contracts designated as effective hedges are included in foreign exchange fluctuation account, after adjustment of periodic premium received on cross currency/ interest rate swaps.

(d) Particulars of unhedged foreign currency exposure:

Particulars	Currency	31 March 2013		31 March 2012	
		Amount (in original currency, lakhs)	Amount (₹ in lakhs)	Amount (in original currency, lakhs)	Amount (₹ in lakhs)
a) Amounts payable in foreign currency	USD	1,408.59	76,617.17	1,026.74	52,524.43
b) Amounts payable in foreign currency	JPY	18,335.98	10,590.86	27,281.95	17,509.44
c) Amounts payable in foreign currency	EURO	32.26	2,243.74	36.51	2,494.50
d) Amounts receivable in foreign currency	USD	129.44	7,040.40	178.34	9,123.26
e) Amounts receivable in foreign currency	EURO	2.29	159.21	2.29	156.45

Note 36 DUE TO MICRO AND SMALL SUPPLIERS

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
a) The amounts remaining unpaid to micro and small suppliers as at the end of the year:		
- Principal	36.85	124.12
- Interest	-	-
b) The amount of interest paid by the buyer as per the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006)	-	-
c) The amounts of the payments made to micro and small suppliers beyond the appointed day during each accounting year	-	-
d) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	-	-
e) The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
f) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006.	-	-

Note 37

Trade receivables include an amount of ₹ **798.10 lakhs** due from a customer which is currently under arbitration proceedings. Based on the merits of the case, the management believes that the outcome of the said proceedings would be in favour of the Company.

Note 38 EMPLOYEE BENEFITS: POST EMPLOYMENT BENEFIT PLANS

1. Defined contribution plans

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and Superannuation Fund, which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contributions are charged to the statement of profit and loss as they accrue. The amount recognised as an expense towards contribution to Provident Fund and Superannuation fund for the year aggregated to ₹ **64.73 lakhs** (previous year ₹ 53.04 lakhs) and ₹ **21.81 lakhs** (previous year ₹ 25.94 lakhs) respectively.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

2. Defined benefit plans

The following table summarises the position of assets and obligations relating to the gratuity plan.

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Net Asset / (liability) recognised in Balance sheet as at the year end		
Present value of obligations	85.63	53.92
Fair value of plan assets	69.55	44.37
Asset/ (liability) recognised in balance sheet	16.08	9.55
Classification into current/ non-current		
Current portion	11.80	9.55
Non-current portion	4.28	-
Movement in present value of defined benefit obligations		
Defined benefit obligation at 1 April	53.92	33.70
Current service cost	20.56	7.29
Interest cost	4.90	2.70
Actuarial (gains) / losses	6.60	10.41
Benefits paid by the plan	(0.35)	(0.18)
Defined benefit obligation at 31 March	85.63	53.92
Movement in fair value of plan assets		
Fair value of plan assets at 1 April	44.37	35.01
Contributions paid into the plan	19.89	5.95
Benefits paid by the plan	(0.35)	(0.18)
Expected return on plan assets	4.06	3.59
Actuarial (losses) / gains	1.58	-
Fair value of plan assets at 31 March	69.55	44.37
Composition of plan assets		
Qualifying insurance policies	100%	100%
Expense recognised in statement of profit and loss		
Current service cost	20.56	7.29
Interest on obligation	4.90	2.70
Expected return on plan assets	(4.06)	(3.59)
Net actuarial (gain)/ loss recognised in the year	5.03	10.41
Net asset not recognised/ adjusted	-	(1.31)
Total included in ‘employee benefits’	26.43	15.50
Actual return on plan assets		
Expected return on plan assets	4.06	3.59
Actuarial gain/(loss) on plan assets	1.58	0.00
Actual return on plan assets	5.64	3.59
Principal actuarial assumptions		
Discount rate	8%	8%
Expected return on plan assets	9.15%	9.15%
Salary growth rate	5%	4.50%

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Discount rate is based on the prevailing market yield of Indian Government securities as at the year end for the estimated term of the obligation.

Assumptions regarding future mortality are based on published statistics and mortality tables. The calculation of the defined benefit obligation is sensitive to the mortality assumptions.

Five-year information

Amounts for the current and previous four periods are as follows:

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Gratuity					
Present Value of benefit obligation	85.63	53.92	33.70	23.70	18.12
Fair value of plan assets	69.55	44.37	35.01	25.48	23.37
Surplus / (deficit) in the plan	(16.08)	(9.55)	1.31	1.78	5.25
Experience adjustments arising on plan liabilities [(gain)/ loss]	19.42	10.42	2.98	1.86	(2.30)
Experience adjustments arising on plan assets [gain/ (loss)]	0.61	-	-	-	-

Proposed contribution for next year

The Company expects to pay **₹ 11.80 lakhs** as contribution to its defined benefit plan in the next year (previous year ₹ 10.36 lakhs).

Note 39 RELATED PARTY DISCLOSURE

(i) List of related party and relationship where control exists

(a) Enterprise on which the Company has control

Himadri Global Investment Limited (HGIL)	Wholly owned subsidiary
Shandong Dawn Himadri Chemical Industry Limited	Subsidiary of HGIL

(ii) Names of the other related parties with whom transactions have taken place during the year

(a) Key Managerial Personnel

Mr. Bankey Lal Choudhary, Managing Director
Mr. Shyam Sundar Choudhary, Executive Director
Mr. Vijay Kumar Choudhary, Executive Director
Mr. Anurag Choudhary, Chief Executive Officer
Mr. Amit Choudhary, President - Projects
Mr. Tushar Choudhary, President - Operations

(b) Relative of Key Managerial Personnel

Mr. Damodar Prasad Choudhary

(c) Enterprises owned or significantly influenced by the Key Managerial Personnel or their relatives

Himadri Credit & Finance Limited
Himadri Dyes & Intermediates Limited
Himadri Coke & Petro Limited
Himadri Industries Limited
Sri Agro Himghar Limited
Himadri e-Carbon Limited

(d) Associate

BC India Investments

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

(iii) Details of transactions with related parties

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Loan given		
Himadri Global Investment Limited	625.17	2,703.79
Repayment of loan		
Himadri Global Investment Limited	1,907.87	-
Interest income		
Himadri Global Investment Limited	135.62	162.09
Guarantee fee received		
Himadri Global Investment Limited	25.12	-
Issue of Stand by letter of credit by bank on behalf of Company		
Himadri Global Investment Limited	3,306.87	2,046.26
Conversion of advances into investments made		
Himadri Global Investment Limited	-	4,448.36
Advance for Supplies		
Shandong Dawn Himadri Chemical Industry Limited	-	245.55
Salaries/ Managerial Remuneration		
Mr.Bankey Lal Choudhary	30.00	30.00
Mr.Shyam Sundar Choudhary	30.00	30.00
Mr.Vijay Kumar Choudhary	30.00	30.00
Mr. Anurag Choudhary	30.00	12.00
Mr. Amit Choudhary	30.00	12.00
Mr. Tushar Choudhary	30.00	12.00
Repayment of loan taken		
Himadri Credit & Finance Limited	-	750.00
Interest paid on loan		
Himadri Credit & Finance Limited	-	18.49
Discount on Debentures written off		
Himadri Coke & Petro Limited	502.95	448.33
Rent paid		
Himadri Dyes & Intermediates Limited	0.07	0.07
Himadri Industries Limited	0.07	0.07
Sri Agro Himghar Limited	0.04	0.04
Purchases		
Himadri Global Investment Limited	1,759.82	721.94
Shandong Dawn Himadri Chemical Industry Limited	-	1,730.00
Dividend paid		
BC India Investments	103.18	103.18
Himadri Dyes & Intermediates Limited	98.28	98.28
Himadri Industries Limited	46.14	46.14
Himadri Credit & Finance Limited	9.49	9.49
Himadri Coke & Petro Limited	5.50	5.50
Vijay Kumar Choudhary	3.27	3.27
Shyam Sundary Choudhary	3.23	3.23
Bankey Lal Choudhary	1.48	1.48
Damodar Prasad Choudhary	1.48	1.48

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

(iv) Balances at the year end

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Loan given		
Himadri Global Investment Limited	2,023.10	2,946.61
Stand by letter of credit		
Himadri Global Investment Limited	3,306.87	2,046.26
Advance for Supplies (Net)		
Shandong Dawn Himadri Chemical Industry Limited	261.07	245.55
Investment held		
Himadri Global Investment Limited	4,497.61	4,497.61
Himadri Credit & Finance Limited	33.49	33.49
Himadri Dyes & Intermediates Limited	72.00	72.00
Himadri Industries Limited	84.50	84.50
Himadri e-Carbon Limited	1.70	4.00
Deep Discount Debentures		
Himadri Coke & Petro Limited	4,631.12	4,128.17

Note 40 OPERATING LEASE

a) The Company has taken various commercial premises and equipment under cancellable operating leases. These lease agreements are normally renewed on expiry.

b) The Company has also taken certain commercial premises under non-cancellable operating leases, the future minimum lease payments in respect of which are as follows:

Amount in ₹ Lakhs

Particulars	Minimum Lease Payments	
	31 March 2013	31 March 2012
Not later than one year	24.00	24.00
Later than one year and not later than five years	52.80	76.80

c) Lease payments recognized in Statement of Profit and Loss with respect to operating leases – **₹ 144.11 lakhs** (previous year ₹ 135.50 lakhs) included under head "Rent in note 29".

Note 41 RESEARCH AND DEVELOPMENT EXPENSES

Research and Development expenses aggregating to:

a. **₹ 215.60 lakhs** (previous year ₹ 156.64 lakhs) in the nature of revenue expenditure and **₹ 90.84 lakhs** (previous year ₹ 35.88 lakhs) in the nature of capital expenditure have been included under the appropriate account heads.

b. **₹ Nil** (previous year ₹ 724.72 lakhs) debited in earlier year to Capital work-in-progress has been capitalised.

Note 42 SEGMENT INFORMATION

In accordance with Accounting Standard 17 "Segment Reporting", segment information has been given in the consolidated financial statements of the Company, and therefore, no separate disclosure on segment information is given in these financial statements.

Note 43

The Company's proposal for transfer of undertakings of Carbon Black including Power Plant situated at Mahistikry, Hooghly, West Bengal to its wholly owned subsidiary has been approved by the shareholders in terms of Section 293(1)(a) of the Companies Act, 1956 by means of postal ballot and the other approvals as required from the secured lenders including banks and financial institutions are under process. Post receiving all approvals, the Board of Directors of the Company and / or committee thereof may consider transfer of the said undertaking.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 44 INFORMATION PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENTS WITH STOCK EXCHANGES

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012	Maximum balance during the current year	Maximum balance during the previous year
Loans and advances in the nature of loans to subsidiary Company				
Himadri Global Investment Limited	**2,023.10**	2,946.61	**3,812.47**	6,203.02

Note 45

The Company does not make any direct remittances of dividends in foreign currencies to non-resident shareholders. Dividend to non-resident shareholders has been deposited into their Rupee account in banks in India.

Note 46

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing regulations under sections 92-92F of the Income-Tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company continuously updates its documents for the international transactions entered into with the associated enterprises during the financial year. The management is of the opinion that its international transactions are at arms length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense for the year and that of provision for taxation.

Note 47

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification/ disclosure.

Note 48

The financials statements of the previous year were audited by one of the joint auditors, M/s S. Jaykishan, Chartered Accountants.

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Firm's Regn No: 101248W

Sd/-
Vijay Bhatt
Partner
Membership No: 036647

For **S. Jaykishan**
Chartered Accountants
Firm's Regn No: 309005E

Sd/-
B. K. Newatia
Partner
Membership No: 050251

Place: Kolkata
Date: 25 May 2013

For and on behalf of the Board of Directors of
Himadri Chemicals & Industries Limited

Sd/-
Bankey Lal Choudhary
Managing Director

Sd/-
Shyam Sundar Choudhary
Executive Director

Sd/-
Bajrang Lal Sharma
Company Secretary

Place: Kolkata
Date: 25 May 2013

STATEMENT PURSUANT TO SECTION 212 of the Companies Act, 1956

Name of the subsidiary	HIMADRI GLOBAL INVESTMENT LIMITED, HONG KONG	SHANDONG DAWN HIMADRI CHEMICAL INDUSTRY LTD, CHINA
The financial year of the subsidiary Co ended on	31 March 2013	31 March 2013
No. of shares held by Holding Co as on the above date	70,783,680 Ordinary Shares of HK$1each	N.A.
Extent of interest of the Holding Co at the end of financial year of the subsidiary	100%	94%
Date from which it became a subsidiary	1st August, 2006	15th January, 2009
The net aggregate amount of Profits/(Losses) of the subsidiary so far as they concern the members of the Holding Co. not dealt with in the holding company's accounts		
- For the financial year of the subsidiary	Loss ₹ 54.32 Lakhs	Loss ₹ 1,356.65 Lakhs
- For the previous Financial year of the subsidiary since it became the holding company's subsidiary	Loss ₹153.81 Lakhs	Loss ₹ 508.05 Lakhs
The net aggregate amount of Profits/(Losses) of the subsidiary so far as they concern the members of the Holding Co. dealt with in the holding company's accounts		
- For the financial year of the subsidiary	Nil	Nil
- For the previous Financial year of the subsidiary since it became the holding company's subsidiary	Nil	Nil
Change in the interest of holding Company between the end of subsidiary's financial year and 31st March 2013	The subsidiary's financial year is same as that of the Company.	The subsidiary's financial year is same as that of the Company.
Material changes between the end of subsidiary's financial year and 31st March 2013 in: (i) Fixed assets (ii) Investments (iii) Moneys lent by the subsidiary (iv) Moneys borrowed by the subsidiary other than for meeting current liabilities	The subsidiary's financial year is same as that of the Company.	The subsidiary's financial year is same as that of the Company.

INDEPENDENT AUDITORS' REPORT

To
The Board of Directors of
Himadri Chemicals & Industries Limited

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

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2013;

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

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

Other matters

We did not audit the financial statements and other financial information of subsidiaries incorporated outside India. These subsidiaries account for 4% of total assets and 4% of total revenues and other income as shown in these consolidated financial statements. The financial statements and other financial information of these subsidiaries, as drawn up in accordance with the generally accepted accounting principles of the respective countries ('the local GAAP') have been audited by other auditors duly qualified to act as auditors in those countries. For the purposes of preparation of consolidated financial statements, the aforesaid local GAAP financial statements have been restated by the management so that they conform to the generally accepted accounting principles in India. Our opinion on the consolidated financial statements, in so far as it relates to these subsidiaries, is based solely on the reports of these other auditors.

For **B S R & Co.**
Chartered Accountants
Firm Registration No.
101248W

Sd/-
Vijay Bhatt
Partner
Membership No: 036647

Place: Kolkata
Date: 25 May 2013

For **S. JAYKISHAN**
Chartered Accountants
Firm Registration No.
309005E

Sd/-
B. K. Newatia
Partner
Membership No: 050251

Place: Kolkata
Date: 25 May 2013

CONSOLIDATED BALANCE SHEET as at 31 March 2013

Amount in ₹ Lakhs

Particulars	Note No.	31 March 2013	31 March 2012
I. EQUITY AND LIABILITIES			
1) Shareholders' funds			
(a) Share capital	3	3,857.33	3,857.33
(b) Reserves and surplus	4	84,811.12	85,546.95
		88,668.45	89,404.28
2) Minority interest		128.90	202.61
3) Non-current liabilities			
(a) Long-term borrowings	5	60,001.70	49,769.04
(b) Deferred tax liabilities (net)	6	8,336.84	9,014.73
(c) Other long-term liabilities	7	7,106.38	4,029.08
(d) Long-term provisions	8	4.28	-
		75,449.20	62,812.85
4) Current liabilities			
(a) Short-term borrowings	9	62,656.39	56,248.91
(b) Trade payables	10	4,717.64	4,381.69
(c) Other current liabilities	11	9,723.46	9,381.16
(d) Short-term provisions	8	476.81	468.31
		77,574.30	70,480.07
TOTAL		241,820.85	222,899.81
II. ASSETS			
1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	12(a)	92,618.01	84,340.24
(ii) Intangible assets	12(b)	-	-
(iii) Capital work-in-progress	13	31,888.33	27,217.40
		124,506.34	111,557.64
(b) Non- current investments	14	197.09	199.39
(c) Long-term loans and advances	15	9,275.82	9,585.76
(d) Other non-current assets	16	1,219.23	1,306.77
		135,198.48	122,649.56
2) Current assets			
(a) Current investments	17	11,000.00	22,427.00
(b) Inventories	18	41,117.42	31,962.44
(c) Trade receivables	19	24,498.45	24,442.28
(d) Cash and bank balances	20	10,196.92	7,283.15
(e) Short-term loans and advances	21	15,537.77	12,961.32
(f) Other current assets	22	4,271.81	1,174.06
		106,622.37	100,250.25
TOTAL		241,820.85	222,899.81
Significant accounting policies	2		
Notes to consolidated financial statements	1 to 40		
The notes referred to above form an integral part of the consolidated financial statements			

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Firm's Regn No: 101248W

Sd/-
Vijay Bhatt
Partner
Membership No : 036647

For **S. Jaykishan**
Chartered Accountants
Firm's Regn No: 309005E

Sd/-
B. K. Newatia
Partner
Membership No : 050251

Place: Kolkata
Date: 25 May 2013

For and on behalf of the Board of Directors of
Himadri Chemicals & Industries Limited

Sd/-
Bankey Lal Choudhary
Managing Director

Sd/-
Shyam Sundar Choudhary
Executive Director

Sd/-
Bajrang Lal Sharma
Company Secretary

Place: Kolkata
Date: 25 May 2013

CONSOLIDATED STATEMENT OF PROFIT AND LOSS for the year ended 31 March 2013

Amount in ₹ Lakhs

Particulars	Note No.	31 March 2013	31 March 2012
I. Revenue from operations			
Sale of products (gross)	23	151,961.77	126,246.08
Less: Excise duty		16,630.23	11,770.19
Sale of products (net)		135,331.54	114,475.89
II. Other income	24	3,071.35	1,813.15
III. Total revenue		138,402.89	116,289.04
IV. Expenses			
Cost of materials consumed	25	110,643.45	81,892.35
Changes in inventories of finished goods and work-in-progress	26	(1,969.79)	(2,638.61)
Employee benefits expense	27	2,650.12	1,898.75
Finance costs	28	7,959.13	7,607.43
Depreciation and amortisation expense	12a and 12b	5,527.73	4,599.28
Foreign exchange fluctuation - loss		1,077.68	4,176.01
Other expenses	29	12,306.01	11,238.70
Total expenses		138,194.33	108,773.91
V. Profit before tax		208.56	7,515.13
VI. Tax Expenses			
Current tax [including ₹ **29.25 lakhs** (previous year ₹ Nil) relating to earlier years]		370.54	1,620.00
Less: MAT credit entitlement		(341.29)	(1,613.37)
Net Current Tax		29.25	6.63
Deferred tax charge/(credit)		(677.89)	1,815.53
VII. Profit after tax (before adjustment of minority interest)		857.20	5,692.97
Minority interest		(86.59)	(32.43)
VIII. Profit for the year		943.79	5,725.40
Earnings per equity share [nominal value of share ₹ 1 each (previous year ₹ 1 each)]	30		
Basic		0.24	1.48
Diluted		0.24	1.41
Significant accounting policies	2		
Notes to consolidated financial statements	1 to 40		
The notes referred to above form an integral part of the consolidated financial statements			

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Firm's Regn No: 101248W

Sd/-
Vijay Bhatt
Partner
Membership No : 036647

For **S. Jaykishan**
Chartered Accountants
Firm's Regn No: 309005E

Sd/-
B. K. Newatia
Partner
Membership No : 050251

For and on behalf of the Board of Directors of
Himadri Chemicals & Industries Limited

Sd/-
Bankey Lal Choudhary
Managing Director

Sd/-
Shyam Sundar Choudhary
Executive Director

Sd/-
Bajrang Lal Sharma
Company Secretary

Place: Kolkata
Date: 25 May 2013

Place: Kolkata
Date: 25 May 2013

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 March 2013

Amount in ₹ Lakhs

Particulars	31 March 2013		31 March 2012	
A. CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit before tax and extra-ordinary items		208.56		7,515.13
Adjustments for :				
Depreciation and amortisation expense	5,527.73		4,599.28	
Deferred revenue expenses written off/ (back)	(189.08)		168.17	
Effect of changes on foreign currency translation	(704.02)		820.06	
Finance costs	7,959.13		7,607.43	
Interest received	(524.42)		(384.97)	
Dividend received	(0.36)		(64.53)	
Loss / (profit) on redemption of mutual funds (current investments)	(2,261.49)		(1,292.61)	
Foreign exchange loss/ (gain)	1,070.91		7,039.49	
Loss on sale of vehicles	4.36		-	
		10,882.76		18,492.32
Operating cash flows before working capital changes		11,091.32		26,007.45
Adjustments for :				
(Increase)/ decrease in inventories	(9,154.98)		(6,925.72)	
(Increase)/ decrease in trade receivables	(1,219.84)		(8,801.40)	
(Increase)/ decrease in loans and advances	(2,534.73)		(1,845.44)	
(Increase)/ decrease in other assets	582.38		(339.01)	
Increase/ (decrease) in trade payables	335.95		2,635.44	
Increase/ (decrease) in other liabilities and provisions	470.50		611.53	
		(11,520.72)		(14,664.60)
Cash generated / (used) from / in operations		(429.40)		11,342.85
Direct tax paid		(657.98)		(1,865.31)
Net cash from/ (used in) operating activities		(1,087.38)		9,477.54
B. CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of fixed assets #	(13,589.04)		(30,183.53)	
(including capital work-in-progress and capital advances)				
Proceeds from sale of fixed assets	7.45		-	
Interest income received	730.69		323.24	
Dividend income received	0.36		64.53	
Proceeds from sale of investments	23,032.38		24,582.86	
Purchase of investments	(13,000.00)		(18,964.13)	
(Increase)/ decrease in fixed deposits with banks	2,172.10		3,322.69	
Net cash from/ (used in) investing activities		(646.06)		(20,854.34)

CONSOLIDATED CASH FLOW STATEMENT *(Contd.)* for the year ended 31 March 2013

Amount in ₹ Lakhs

Particulars	31 March 2013		31 March 2012	
C. CASH FLOWS FROM FINANCING ACTIVITIES				
Minority interest contribution	12.88		30.76	
Proceeds from long-term borrowings	13,552.53		117.99	
Repayment of long-term borrowings	(3,926.09)		(4,874.09)	
Increase/ (decrease) in working capital borrowings	3,896.10		21,044.52	
Interest paid	(6,214.94)		(4,488.73)	
Dividend paid	(385.73)		(385.73)	
Dividend tax paid	(62.58)		(62.58)	
Net cash from financing activities		6,872.17		11,382.14
Net increase/ (decrease) in cash and cash equivalents (A+B+C)		5,138.73		5.34
Cash and cash equivalents at the beginning of the year (Refer note 20 to the accounts)		3,165.58		3,132.90
Effect of exchange gain/ (loss) on cash and cash equivalents held in foreign currency		0.76		27.34
Cash and cash equivalents at the end of the year (Refer note 20 to the accounts)		8,305.07		3,165.58

Includes interest capitalised ₹ **1,168.95 lakhs** (previous year ₹ 2,169.93 lakhs)

Notes:

1. The above Consolidated Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard- 3 on 'Cash Flow Statement' notified by the Companies (Accounting Standards) Rules, 2006.
2. Figures in brackets indicate cash outflows.

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Firm's Regn No: 101248W

Sd/-
Vijay Bhatt
Partner
Membership No : 036647

For **S. Jaykishan**
Chartered Accountants
Firm's Regn No: 309005E

Sd/-
B. K. Newatia
Partner
Membership No : 050251

Place: Kolkata
Date: 25 May 2013

For and on behalf of the Board of Directors of
Himadri Chemicals & Industries Limited

Sd/-
Bankey Lal Choudhary
Managing Director

Sd/-
Shyam Sundar Choudhary
Executive Director

Sd/-
Bajrang Lal Sharma
Company Secretary

Place: Kolkata
Date: 25 May 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013

Note 1 COMPANY OVERVIEW

Himadri Chemicals & Industries Limited is a public Company domiciled and headquartered in India. It is incorporated under the Companies Act, 1956 and its shares are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The Company is primarily engaged in manufacturing of carbon materials and chemicals. The Company has operations in India and caters to both domestic and international markets. The Company also has a wholly-owned subsidiary in Hong Kong in the name of Himadri Global Investment Limited which has 94% shareholding in Shandong Dawn Himadri Chemical Industry Limited in China.

Note 2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these consolidated financial statements.

2.1. Basis of accounting and preparation of consolidated financial statements

The consolidated financial statements relate to Himadri Chemicals & Industries Limited ('the Company') and its subsidiaries (collectively referred to as 'the Group'). The consolidated financial statements are prepared in accordance with Accounting Standard 21 - "Consolidated Financial Statements" prescribed in the Companies (Accounting Standard), Rules 2006 notified by the Central Government. The consolidated financial statements are prepared by adopting uniform accounting policies between the group companies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements. Appropriate disclosure, as applicable, is made of significant deviations from the Company's accounting policies, which have not been adjusted.

The consolidated financial statements are prepared under the historical cost convention, on the accrual basis of accounting to comply with the applicable accounting principles in India, the mandatory Accounting Standards prescribed by the Companies (Accounting Standard), Rules 2006, the relevant provisions of the Companies Act, 1956 ('the Act') and the guidelines issued by the Securities and Exchange Board of India (SEBI). The consolidated financial statements are presented in Indian Rupees (in Lakhs), in the same format as that adopted by the Parent Company for its standalone financial statements.

Subsidiaries considered in the consolidated financial statements:

Name of the Company	Country of incorporation	Current Year Percentage Holding - Share	Previous Year Percentage Holding – Share
Himadri Global Investment Limited	Hong Kong	100%	100%
Shandong Dawn Himadri Chemical Industry Limited	China	94%	94%

2.2. Principles of consolidation

The consolidated financial statements have been prepared on the following basis:

a) The financial statements of the Company and its subsidiaries are consolidated on a line-by-line basis after fully eliminating the intra-group transactions and intra-group balances in accordance with Accounting Standard 21 - "Consolidated Financial Statements" prescribed by the Companies (Accounting Standard), Rules 2006.

b) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries, is recognized in the financial statements as Goodwill or Capital Reserve as the case may be.

c) Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.

2.3. Use of estimates

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.

2.4. Current–non-current classification

All assets and liabilities are classified into current and non-current.

2.4.1. Assets

An asset is classified as current when it satisfies any of the following criteria:

a) it is expected to be realised in, or is intended for sale or consumption in, the Group's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within 12 months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

2.4.2. Liabilities

A liability is classified as current when it satisfies any of the following criteria:

a) it is expected to be settled in the Group's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within 12 months after the reporting date; or

d) the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current.

Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

2.5. Fixed assets and depreciation

2.5.1. Tangible fixed assets

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation/ amortization and/ or accumulated impairment loss, if any. The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditures related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Exchange differences arising in respect of translation/ settlement of long term foreign currency borrowings attributable to the acquisition of a depreciable asset are also included in the cost of the asset.

Tangible fixed assets under construction are disclosed as capital work-in-progress.

A fixed asset is eliminated from the financial statements on disposal or when no further benefit is expected from its use and disposal. Assets retired from active use and held for disposal are stated at the lower of their net book value and net realisable value and shown under 'Other current assets'.

Losses arising from retirement or gains or losses arising from disposal of fixed assets which are carried at cost are recognised

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 2 SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

in the Consolidated Statement of Profit and Loss.

2.5.2. Intangible fixed assets

Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Subsequent expenditure is capitalized only when it increases the future economic benefits from the specific asset to which it relates.

2.5.3. Depreciation and amortisation

Depreciation and amortisation for the year is recognised in the Consolidated Statement of Profit and Loss.

Depreciation on fixed assets situated at Liluah Unit - I (Howrah), Vapi and Vizag is provided on written down value method and on fixed assets situated at other location is provided on straight line method at the rates and in the manner specified in Schedule XIV to the Companies Act 1956. Depreciation is provided on a pro-rata basis i.e. from the date on which asset is ready for its intended use. Plant & equipment, furniture and fixtures and office equipments costing individually ₹ 5,000 or less, are depreciated fully in the year of purchase.

The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/ remaining useful life.

Freehold land is not depreciated. Leasehold land is amortised on a straight line basis over the period of respective lease except land acquired on perpetual lease.

Intangible assets such as computer software are being amortised over a period of five years or useful life estimated by the management, whichever is lower. Land usage rights are amortized over the period of lease.

2.5.4. Impairment

Fixed assets are reviewed at each reporting date to determine if there is any indication of impairment. For assets in respect of which any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets (Cash Generating Unit or CGU) that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of the assets or CGU is the greater of its value in use and its net selling price. 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 risk specific to the asset or CGU.

Impairment losses are recognised in the Consolidated Statement of Profit and Loss.

If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists or has decreased, the asset or CGU's recoverable amount is estimated. For assets, the impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. Such a reversal is recognised in the Consolidated Statement of Profit and Loss.

2.6. Operating leases

Assets acquired under leases other than finance leases are classified as operating leases. The total lease rentals (including scheduled rental increases) in respect of an asset taken on operating lease are charged to the Consolidated Statement of Profit and Loss on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit. Initial direct costs incurred specifically for an operating lease are deferred and charged to the Consolidated Statement of Profit and Loss over the lease term.

2.7. Investments

Investments that are readily realisable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments. However, that part of long term investments which is expected to be realised within 12 months after the reporting date is also presented under 'current assets' as "current portion of long term investments" in consonance with the current/ non-current classification scheme of the revised Schedule VI.

Long-term investments (including current portion thereof) are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments i.e., equity shares, bonds etc.

Any reductions in the carrying amount and any reversals of such reductions are charged or credited to the Consolidated Statement of Profit and Loss.

2.8. Inventories

Inventories which comprise raw materials, work-in-progress, finished goods and stores and spares are carried at the lower of cost and net realisable value.

Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In determining the cost, First in First out (FIFO) method is used. In the case of manufactured inventories and work in progress, fixed production overheads are allocated on the basis of normal capacity of production facilities. Excise duty liability is included in the valuation of closing inventory of the finished goods.

Raw materials and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value. The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The comparison of cost and net realisable value is made on an item-by-item basis.

2.9. Employee benefits

2.9.1. Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by the employees.

2.9.2. Post-employment benefits

2.9.2.1. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified contributions towards employee provident fund to Government administered provident fund scheme and to Life Insurance Corporation of India (LICI) under superannuation scheme which are defined contribution plans. The Company's contribution is recognised as an expense in the Consolidated Statement of Profit and Loss during the period in which the employee renders the related service.

2.9.2.2. Defined benefit plan

The Company's gratuity benefit scheme is a defined benefit plans. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 2 SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

costs and the fair value of any plan assets are deducted. The calculation of the Company's obligation under the plan is performed annually by a qualified actuary using the projected unit credit method. The Company recognises all actuarial gains and losses arising from defined benefit plan immediately in the Consolidated Statement of Profit and Loss. All expenses related to defined benefit plan are recognised in employee benefits expense in the Consolidated Statement of Profit and Loss.

The Company recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. Contributions are deposited with the Life Insurance Corporation of India based on information received by the Company.

2.9.2.3. Compensated Absences

The employees can carry forward unutilised accrued compensated absences and utilise it in next service period or receive cash compensation. Since the compensated absences fall due wholly within twelve months after the end of the period in which the employees render the related service and are also expected to be utilized wholly within twelve months after the end of such period, the benefit is classified as a short-term employee benefit. The Company records an obligation for such compensated absences in the year in which the employee renders the services that increase this entitlement. The obligation is measured at actuals at the year end as per the policy of the Company.

2.10. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from sale of goods in the course of ordinary activities is recognised when property in the goods or all significant risks and rewards of their ownership are transferred to the customer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods and regarding its collection. The amount recognised as revenue is exclusive of sales tax and value added taxes (VAT) and is net of returns, trade discounts and quantity discounts. Excise duty relating to sales is reduced from gross sales for disclosing net revenue from operations.

Earning from sale of electricity is accounted for on tariff rates agreed with respective Electricity Board and are net of discounts for prompt payment of bills.

Dividend income is recognised when the right to receive payment is established.

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

2.11. Foreign exchange transactions

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount, the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated into Indian Rupees at the closing exchange rates on that date. Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate on the date of transaction.

Exchange differences arising on the settlement or conversion of monetary assets and liabilities are recognized as income or as expense in the year in which they arise, except for:

a) Exchange differences relating to long term foreign currency monetary items accounted for in accordance with Para 46A of Accounting Standard 11 ''The Effects of changes in Foreign Exchange Rates". Such exchange differences arising on long term foreign currency monetary items (original maturity of one year or more) in so far as they relate to the acquisition of depreciable capital asset have been added or deducted from the cost of the asset and depreciated over the balance useful life of the asset and in other cases have been accumulated in a Foreign Currency Monetary Item Translation Difference Account (FCMITDA) and amortized over the balance period of such long term monetary item.

b) The premium or discount on a forward exchange contract taken to hedge foreign currency risk of an existing asset/ liability is recognised over the period of the contract. The forward exchange contracts taken to hedge existing assets or liabilities are translated at the closing exchange rates and resultant exchange differences are recognised in the same manner as those on the underlying foreign currency asset or liability.

c) In case of foreign subsidiaries, revenue items are consolidated at the average exchange rate. All assets and liabilities are converted at exchange rates prevailing at the end of the year. All resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment in the subsidiaries.

2.12. Derivative instruments and hedge accounting

The Company enters into derivative financial instruments with banks to hedge foreign currency risk of firm commitments and highly probable forecasted transactions and interest rate risks.

The method of recognizing the resultant gain or loss depends on whether the derivative is designated as hedging instrument, and if so, the nature of the item being hedged. To designate a derivative contract as an effective hedge, management objectively evaluates and evidence with appropriate supporting documents at the inception of each contract whether the contract is effective in offsetting cash flow attributable to the hedged risk.

These derivative contracts which qualify as cash flow hedges are recorded in accordance with the recognition and measurement principles set out in the AS 30 "Financial Instruments: Recognition and Measurement" issued by the Institute of Chartered Accountants of India. The use of hedge instruments is governed by the Company's policies approved by the Board of Directors. The Company does not use these contracts for trading or speculative purposes.

Hedging instruments are initially measured at fair value and are re-measured at subsequent reporting date at fair value. Gain/ loss arising from changes in fair values of these derivatives that are effective hedges are recongised directly in the Hedging reserve account and are recognized in the Consolidated Statement of Profit and Loss in the same period or periods during which the hedged transactions affect the Consolidated Statement of Profit and Loss.

When a hedged transaction is no longer expected to occur or hedging instruments either expire or are sold, terminated, exercised or no longer qualify for hedge accounting, the net cumulative gain or loss recognised in Hedging reserve account is transferred to the Consolidated Statement of Profit and Loss for the year.

Gains or losses on the ineffective transactions are immediately recognized in the Consolidated Statement of Profit and Loss.

2.13. Provisions

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis.

2.14. Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

2.15. Income Taxes

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period).

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws. In case of tax payable as Minimum Alternative Tax ('MAT') under the provisions of the Income-tax Act, 1961,the credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 2 SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

2.16. Borrowing costs

Borrowing costs are interest and other costs incurred by the Company in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of those tangible fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred and include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Discount on issue of Deep Discount Debentures is amortized during the tenure of the debentures which is 20 years from the date of allotment.

2.17. Research and Development Expenses

Revenue expenditure on Research and Development is charged as an expense through the normal heads of account in the year in which the same is incurred. Capital expenditure incurred on equipment and facilities that are acquired for research and development activities is capitalized and is depreciated according to the policy followed by the Company.

2.18. Earnings per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

2.19. Government Grants

Grants from the government are recognized when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. Where the grant relates to a depreciable asset, its value is deducted from the gross value of the asset concerned in arriving at the carrying amount of the related asset. Grants related to non depreciable assets are credited to Capital Reserve.

2.20. Cash flow statement

Cash flows are reported using indirect method, whereby consolidated net profits before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Group are segregated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 3 SHARE CAPITAL

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Authorised		
700,000,000 (previous year 700,000,000) equity shares of ₹ 1 each	7,000.00	7,000.00
Issued, subscribed and fully paid up		
385,732,570 (previous year 385,732,570) equity shares of ₹ 1 each	3,857.33	3,857.33

a. **Reconciliation of shares outstanding at the beginning and at the end of the reporting year**

Particulars	31 March 2013		31 March 2012	
	Number of shares	Amount	Number of shares	Amount
Equity Shares				
At the commencement of the year	385,732,570	3,857.33	385,732,570	3,857.33
Add: Issued during the year	-	-	-	-
At the end of the year	385,732,570	3,857.33	385,732,570	3,857.33

b. **Rights, preferences and restrictions attached to equity shares**

The Company has a single class of equity shares with par value of ₹ 1 per share. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

c. **Particulars of shareholders holding more than 5% shares of a class of shares**

Particulars	31 March 2013		31 March 2012	
	Number of shares	% of total shares in the class	Number of shares	% of total shares in the class
Equity shares of ₹ 1 each fully paid up held by:				
BC India Investments	103,178,860	26.75%	103,178,860	26.75%
CITI Group Venture Capital International	47,053,425	12.20%	47,391,210	12.29%
Himadri Dyes & Intermediates Limited	98,284,310	25.48%	98,284,310	25.48%
Himadri Industries Limited	46,140,000	11.96%	46,140,000	11.96%

d. **Shares reserved for issue under options:**

For details of equity shares reserved for issue on conversion of Foreign Currency Convertible Bonds (FCCB) which were issued by the Company on 13 April 2009, refer note 5 regarding terms of conversion/ redemption of Foreign Currency Convertible Bonds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 4 RESERVES AND SURPLUS

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Capital reserve		
At the commencement and at the end of the year	**1,280.50**	1,280.50
Securities premium account		
At the commencement and at the end of the year	**39,576.97**	39,576.97
Debenture redemption reserve		
At the commencement of the year	1,000.00	500.00
Amount transferred from surplus	2,345.00	500.00
At the end of the year	**3,345.00**	1,000.00
General reserve		
At the commencement of the year	11,517.44	10,017.44
Amount transferred from surplus	-	1,500.00
At the end of the year	**11,517.44**	11,517.44
Foreign exchange translation reserve		
At the commencement of the year	839.74	19.68
Movement during the year	(183.69)	820.06
At the end of the year	**656.05**	839.74
Hedging reserve [refer note 32(b)]		
At the commencement of the year	(1,630.66)	(355.74)
Movement during the year	(1,004.14)	(1,274.92)
At the end of the year	**(2,634.80)**	(1,630.66)
Foreign currency monetary item translation difference account		
At the commencement of the year	-	-
Exchange gain/ (loss) during the year on foreign currency term loan	(40.50)	-
At the end of the year	**(40.50)**	-
Surplus (Profit and loss balance)		
At the commencement of the year	32,962.96	29,685.87
Profit/ (loss) for the year	943.79	5,725.40
Appropriations		
Proposed equity dividend [Amount ₹ **0.10** per share (previous year ₹ 0.10 per share)]	(385.73)	(385.73)
Tax on proposed equity dividend	(65.56)	(62.58)
Transfer to debenture redemption reserve	(2,345.00)	(500.00)
Transfer to general reserve	-	(1,500.00)
At the end of the year	**31,110.46**	32,962.96
Total reserves and surplus	**84,811.12**	85,546.95

Note 5 LONG-TERM BORROWINGS

Amount in ₹ Lakhs

Particulars	Non-current portion		Current maturities	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Bonds / debentures				
12,300 (previous year 12,300) Deep Discount Debentures of ₹ 100,000 each (unsecured)	12,300.00	12,300.00	-	-
Less: Discount on issue of Deep Discount Debentures to the extent not written off or adjusted	7,668.88	8,171.83	-	-
	4,631.12	4,128.17	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Amount in ₹ Lakhs

Particulars	Non-current portion		Current maturities	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
2,500,000 (previous year 2,500,000) 10% Redeemable Non-Convertible Debentures of ₹ 400 each (secured)	10,000.00	10,000.00	-	-
1,000 (previous year 1,000) 9.60% Redeemable Non-Convertible Debentures of ₹ 1,000,000 each (secured)	10,000.00	10,000.00	-	-
70 (previous year 70) Foreign Currency Convertible Bonds of USD 100,000 each (unsecured)	3,807.25	3,580.96	-	-
	28,438.37	27,709.13	-	-
Term loans				
Rupee loans (secured)				
From banks	8,650.00	225.00	225.00	1,435.71
Foreign currency loans (secured)				
From banks	17,481.87	15,787.24	3,624.76	1,559.30
From others	5,099.00	5,691.16	951.81	703.40
	31,230.87	21,703.40	**4,801.57**	3,698.41
Loan against vehicles and equipments (secured)	62.46	86.51	89.22	76.00
Deferred payment liabilities				
Sales tax deferment (unsecured)	270.00	270.00	-	-
	60,001.70	49,769.04	**4,890.79**	3,774.41
The above amount includes				
Secured borrowings	51,293.33	41,789.91	4,890.79	3,774.41
Unsecured borrowings	8,708.37	7,979.13	-	-
Amount disclosed under the head - "Other current liabilities" (refer note 11)	-	-	(4,890.79)	(3,774.41)
	60,001.70	49,769.04	-	-

(A) Terms of repayment/ conversion

(i) Bonds / debentures

a) The Company on 24 September 2001 had issued Deep Discount Debentures of face value of ₹ 100,000 each aggregating ₹ 12,300.00 lakhs at a discount of 90% on face value and are redeemable at par at the end of 20 years from the date of allotment. The Deep Discount Debentures carry an implicit rate of interest of approximately 12.18% compounded annually.

b) The Company on 24 August 2010 had issued 10% Redeemable Non-convertible Debentures of face value of ₹ 400 each aggregating ₹ 10,000.00 lakhs to be redeemed at par at the end of 10 years from the date of allotment.

c) The Company on 28 June 2010 had issued 9.60% Redeemable Non-convertible Debentures of face value of ₹ 1,000,000 each aggregating ₹ 10,000.00 lakhs to be redeemed at par at the end of 10 years from the date of allotment. These debentures can be redeemed at par on or after 7 years from the date of allotment, at the option of the either party.

d) The Company on 13 April 2009 had issued 70 Foreign Currency Convertible Bonds (FCCB) of face value of USD 100,000 each aggregating USD 70 lakhs to International Finance Corporation (IFC). As per the terms of the issue, the bond holder has an option of converting these bonds into equity shares within a period of 7 years from the date of issue at an initial conversion price of ₹ 13.50 per equity share of face value of ₹ 1 each at the foreign exchange rate prevailing on the date of conversion request. In case the conversion option is not exercised, the outstanding FCCBs would be redeemed at par together with interest accrued at the rate of 6 months LIBOR + spread of 3.35% per annum accrued on a compounded 6 monthly basis. As at 31 March 2013, conversion option has not been exercised in respect of the above FCCBs. During the year, the Company made provision of ₹ 619.86 lakhs as interest on outstanding FCCBs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

(ii) Term loans

a) Name of the lendor	Loan Outstanding as at 31 March 2013 (in lakhs)	Period of maturity with respect to Balance Sheet date	Number of installments outstanding as at 31 March 2013	Installment Amount (in lakhs)
Rupee loans (secured)				
Citibank N.A.	₹ 225.00	1 month	1	₹ 225.00 - repayable at quarterly rest
	(₹ 1,125.00)	(1 year 1 month)	(5)	
The HongKong and Shanghai Banking Corporation Limited	-	-	-	₹ 267.86 - repayable at quarterly rest
	(₹ 535.71)	6 months	2	
The HongKong and Shanghai Banking Corporation Limited	₹ 4,150.00	1 year 1 month	1	₹ 4,150.00 - bullet repayment
	(-)	(-)	(-)	
Deutsche Bank AG	₹ 4,500.00	450 days	1	₹ 4,500.00 - bullet repayment
	(-)	(-)	(-)	

Rupee term loans carry an average interest rate of **10.11%** per annum (previous year 9.49% per annum).

a) Name of the lendor	Loan Outstanding as at 31 March 2013 (in lakhs)	Period of maturity with respect to Balance Sheet date	Number of installments outstanding as at 31 March 2013	Installment Amount (in lakhs)
Foreign currency borrowings				
ICICI Bank Limited (ECB)	₹ 3,730.33 JPY 6,458.33	7 years 5 months	15	JPY 430.56 - repayable at half yearly rest
	(₹ 4,557.41) (JPY - 7,319.44)	(8 years 5 months)	(17)	
The HongKong and Shanghai Banking Corporation Limited (ECB)	₹ 8,158.40 USD 150.00	3 years 11 months	16	USD 9.38 - repayable at quarterly rest
	(₹ 7,673.48) (USD 150.00)	(4 years 11 months)	(16)	
The HongKong and Shanghai Banking Corporation Limited (term loan)	₹ 1,671.39 USD 30.80	4 years	9	USD 3.42 - repayable at quarterly rest
	(-)	(-)	(-)	
DBS Bank Limited (ECB)	₹ 4,351.14 USD 80.00	3 years 9 months	8	USD 10.00 - repayable at half yearly rest
	(₹ 5,115.65) (USD 100.00)	(4 years 9 months)	(10)	
International Finance Corporation (ECB)	₹ 2,991.41 USD 55.00	5 years 6 months	11	USD 5.00 - repayable at half yearly rest
	(₹ 3,325.17) (USD 65.00)	(6 years 6 months)	(13)	
DEG - Deutsche Investitionsund Entwicklungsgesellschaft MBH (ECB)	₹ 3,059.40 USD 56.25	7 years 6 months	30	USD 1.88 - repayable at quarterly rest
	(₹ 3,069.39) (USD 60.00)	(8 years 6 months)	(32)	
Citibank N.A. (FCNRB)	₹ 3,195.37 USD 58.75	1 year 1 month	1	USD 58.75 - bullet repayment
	(-)	(-)	(-)	

Foreign currency loans carry an average interest rate of **Libor + 2.93%** per annum (previous year - Libor + 3.07% per annum).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

b) The Company had been granted sales tax deferment by the Government of Andhra Pradesh under the "Target 2000 - New Industrial Policy". The same is repayable from the end of the 14th year without payment of interest during the period from August 2014 to October 2017.

c) Loans against vehicles and equipments are for a period of three years and repayable by way of equated monthly instalments.

(B) Details of security

i) 10% Redeemable Non-convertible Debentures and 9.60% Redeemable Non-convertible Debentures issued to Life Insurance Corporation of India Limited and ICICI Bank Limited, respectively, aggregating to ₹ 20,000.00 lakhs are secured by way of Equitable Mortgage on land situated at Mouza Maharaj Pura Dist – Mahesana (Gujarat), First Pari Passu charge on immovable properties (Leasehold Land) situated at Mahistikry and hypothecation of all movable fixed assets (including plant and machinery) of the Company in favour of Axis Trustee Services Limited, being the trustee of the Debenture Holders.

ii) Rupee term loan from Citi Bank N.A., Foreign currency borrowings from International Finance Corporation (IFC), The Hongkong and Shanghai Banking Corporation Limited (HSBC) and DBS Bank Limited (DBS) are secured by way of mortgage of immovable properties (Leasehold Land) and hypothecation of all movable fixed assets (including plant and machinery) situated at Mahistikry Unit, Liluah Unit, and Vishakhapatnam Unit on pari passu basis with other lenders.

iii) Foreign currency borrowings from DEG - Deutsche Investitionsund Entwicklungsgesellschaft MBH (DEG) and ICICI Bank Limited are secured by way of mortgage of immovable properties (Leasehold Land) and hypothecation of movable fixed assets (including plant and machinery) situated at Mahistikry on pari passu basis with other lenders.

iv) Foreign currency loan from Citibank N.A. and rupee term loan from The Hongkong and Shanghai Banking Corporation Limited and Deutsche Bank AG are secured by way of pledge of investments in mutual funds. Maturity proceeds of certain investments, redeemed towards the end of the year, are subsequently invested and pledged.

v) Foreign currency term loan from The Hongkong and Shanghai Banking Corporation Limited is secured by standby letter of credit issued by a bank on behalf of the holding company.

vi) Loans against vehicles and equipment are secured by way of hypothecation of the underlying asset financed.

Note 6 DEFERRED TAX LIABILITIES (NET)

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Deferred tax liabilities		
Excess of depreciation/ amortisation on fixed assets under income-tax law over depreciation/ amortisation provided in accounts	13,121.38	10,836.29
Deferred tax assets		
Unabsorbed depreciation	2,986.87	850.70
Disallowances under Income Tax Act, 1961	1,797.67	970.86
	4,784.54	1,821.56
Deferred tax liability (net)	8,336.84	9,014.73

Note 7 OTHER LONG-TERM LIABILITIES

Derivative contracts payable (refer note 32(c))	6,486.52	4,029.08
Interest accrued but not due on borrowings	619.86	-
	7,106.38	4,029.08

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 8 PROVISIONS

Amount in ₹ Lakhs

Particulars	Long-term		Short-term	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Provision for Employee benefits:				
Gratuity (refer note 34)	4.28	-	11.80	9.55
Compensated absences	-	-	13.72	10.45
Others:				
Proposed equity dividend	-	-	385.73	385.73
Tax on proposed equity dividend	-	-	65.56	62.58
	4.28	-	476.81	468.31

Note 9 SHORT-TERM BORROWINGS

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Working capital loans		
From banks (secured)		
Rupee loans	202.22	10,556.74
Foreign currency loans	58,165.48	45,692.17
	58,367.70	56,248.91
From banks (unsecured)		
Rupee loans	2,824.44	-
Foreign currency loans	1,464.25	-
	4,288.69	-
	62,656.39	56,248.91

Details of security

Working capital loans from banks aggregating to ₹ **55,521.71 lakhs** are secured by hypothecation of currents assets of the Company both present and future on pari passu basis and ₹ **2,845.99 lakhs** are secured by pledge of investments in mutual funds. These loans include ₹ **6,677.47 lakhs** (previous year ₹ 9,201.56 lakhs), being personally guaranteed by the promoter directors of the Company.

Note 10 TRADE PAYABLES

Trade payables	4,717.64	4,381.69
	4,717.64	4,381.69

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 11 OTHER CURRENT LIABILITIES

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Current maturities of long-term debt (refer note 5)	4,890.79	3,774.41
Interest accrued but not due on borrowings	356.21	515.37
Unclaimed dividend *	71.38	70.66
Capital creditors	739.90	412.84
Derivative contracts payable [refer note 32(c)]	996.89	2,400.29
Statutory dues	1,462.12	1,833.12
Advances received from customers	1,148.29	221.07
Other payables#	57.88	153.40
	9,723.46	9,381.16

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at 31 March 2013.

Includes amount due towards employee benefits and security deposits.

Note 12 (a) TANGIBLE ASSETS

Amount in ₹ Lakhs

Particulars	Freehold Land	Leasehold Land	Buildings	Plant and equipments	Furniture and fixtures	Vehicles	Office equipments	Total
Gross Block								
Balance as at 1 April 2011	2,092.87	445.39	4,655.50	59,052.16	602.70	568.19	1,035.98	**68,452.79**
Additions	822.64	-	3,437.19	24,852.64	95.97	212.97	348.06	**29,769.47**
Disposals	-	-	-	-	-	-	-	-
Other Adjustments:								
- Exchange differences	-	-	-	1,751.94	-	-	-	**1,751.94**
- Exchange translation adjustments	-	38.42	-	-	0.05	-	0.75	**39.22**
- Borrowing cost	-	-	69.32	913.15	-	-	-	**982.47**
Balance as at 31 March 2012	**2,915.51**	**483.81**	**8,162.01**	**86,569.89**	**698.72**	**781.16**	**1,384.79**	**100,995.89**
Additions	668.58	63.24	1,413.16	8,240.88	25.22	92.66	71.12	**10,574.86**
Disposals	-	-	-	-	-	(37.14)	-	**(37.14)**
Other Adjustments:								
- Exchange differences	-	-	-	1,988.18	-	-	-	**1,988.18**
- Exchange translation adjustments	-	19.49	239.74	271.90	3.65	5.24	7.32	**547.34**
- Borrowing cost	-	-	52.28	681.67	-	-	-	**733.95**
Balance as at 31 March 2013	**3,584.09**	**566.54**	**9,867.19**	**97,752.52**	**727.59**	**841.92**	**1,463.23**	**114,803.08**
Depreciation								
Balance as at 1 April 2011	-	6.39	793.60	10,411.48	110.11	328.71	387.89	**12,038.18**
Depreciation for the year	-	4.67	213.88	4,139.47	40.54	42.46	161.76	**4,602.78**
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-
Exchange translation adjustments	-	1.58	2.98	8.69	0.18	0.20	1.06	**14.69**
Balance as at 31 March 2012	**-**	**12.64**	**1,010.46**	**14,559.64**	**150.83**	**371.37**	**550.71**	**16,655.65**
Depreciation for the year	-	5.26	315.09	4,915.57	44.85	63.75	183.21	**5,527.73**
Accumulated depreciation on disposals	-	-	-	-	-	25.32	-	**25.32**
Exchange translation adjustments	-	1.22	7.60	16.12	0.24	0.46	1.37	**27.01**
Balance as at 31 March 2013	**-**	**19.12**	**1,333.15**	**19,491.33**	**195.92**	**410.26**	**735.29**	**22,185.07**
Net Block								
As At 31 March 2012	2,915.51	471.17	7,151.55	72,010.25	547.89	409.79	834.08	84,340.24
As At 31 March 2013	3,584.09	547.42	8,534.04	78,261.19	531.67	431.66	727.94	92,618.01

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 12 (b) INTANGIBLE ASSETS

Amount in ₹ Lakhs

Particulars	Computer software	Total
Gross Block		
Balance as at 1 April 2011	0.48	0.48
Additions	-	-
Disposals	-	-
Balance as at 31 March 2012	**0.48**	**0.48**
Additions	-	-
Disposals	-	-
Balance as at 31 March 2013	**0.48**	**0.48**
Amortisation		
Balance as at 1 April 2011	0.48	0.48
Amortisation for the year	-	-
Accumulated depreciation on disposals	-	-
Balance as at 31 March 2012	**0.48**	**0.48**
Amortisation for the year	-	-
Accumulated depreciation on disposals	-	-
Balance as at 31 March 2013	**0.48**	**0.48**
Net Block		
As at 31 March 2012	-	-
As at 31 March 2013	-	-

Note 13 CAPITAL WORK-IN-PROGRESS

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
At the beginning of the year	27,217.40	31,738.87
Add: Incurred during the year	15,049.41	25,058.30
Less: Capitalised during the year	(10,378.48)	(29,579.77)
At the end of the year	**31,888.33**	27,217.40
Capital work-in-progress includes:		
a) Expenditure during construction period on substantial expansion / new industrial units of the Company as under:		
Opening Balance	**3,014.66**	3,633.32
Incurred during the year		
Consumables stores and spares	2.43	1.76
Employee benefits expense	3.80	48.26
Power and fuel	24.09	64.78
Rates and taxes	2.98	5.30
Repairs and maintenance	0.12	33.55
Insurance	0.26	22.20
Finance Cost		
Interest expense	1,168.95	2,169.93
Other borrowing costs	0.04	31.99
Applicable net (gain)/loss on foreign currency transactions and translations	-	510.76

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Rent	-	7.04
Miscellaneous expenses*	477.06	302.92
	1,679.73	3,198.49
Less:		
Interest received on fixed deposits	-	(137.07)
Profit on redemption of mutual funds (Current investments)	(228.98)	(850.10)
Capitalised during the year	(824.45)	(2,829.98)
	(1,053.43)	(3,817.15)
Closing balance	**3,640.96**	3,014.66

b) ₹ **383.50 lakhs** (Previous year ₹ 483.46 lakhs), being exchange differences recognised under Para 46A of Accounting Standard - 11 "The Effects of Changes in Foreign Exchange Rates".

* Includes consultancy charges, inspection charges, testing charges, etc.

Note 14 NON-CURRENT INVESTMENTS *(Valued At Cost)*

Amount in ₹ Lakhs

Particulars	Number of shares as at 31 March 2013	Number of shares as at 31 March 2012	31 March 2013	31 March 2012
Quoted investments				
Investment in equity instruments (fully paid up)				
ACC Limited (face value - ₹ 10 each)	**1,275**	1,275	1.95	1.95
Himadri Credit & Finance Limited (face value - ₹ 10 each)	**334,900**	334,900	33.49	33.49
New Delhi Television Limited (face value - ₹ 4 each)	**1,400**	1,400	0.98	0.98
Transchem Limited (face value - ₹ 10 each)	**8,000**	8,000	2.40	2.40
			38.82	38.82
Unquoted investments				
Investment in equity instruments (fully paid up)				
Himadri Dyes & Intermediates Limited (face value - ₹ 10 each)	**720,000**	720,000	72.00	72.00
Himadri E-Carbon Limited (face value - ₹ 10 each)	**17,000**	40,000	1.70	4.00
Himadri Industries Limited (face value - ₹ 10 each)	**493,300**	493,300	84.50	84.50
			158.20	160.50
Government securities (unquoted)				
Kisan Vikas Patra (Lodged with sales tax authorities)			0.07	0.07
			0.07	0.07
			197.09	199.39

The aggregate book value of unquoted non-current investments and book value and market value of quoted non-current investments are as follows:

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Aggregate book value of unquoted non-current investments	158.27	160.57
Quoted non-current investments		
Aggregate book value	38.82	38.82
Aggregate market value	51.13	52.63

[includes ₹ **33.49 lakhs** (previous year ₹ 33.49 lakhs) where cost has been considered as market value in absence of availability of market quote]

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 15 LONG-TERM LOANS AND ADVANCES *(Unsecured, considered good)*

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
To parties other than related parties		
Capital advances	175.45	1,072.40
Security and other deposits	3,287.29	3,354.12
MAT credit entitlement	5,272.67	4,931.38
Advance income tax	540.41	227.86
[net of provision for income tax ₹ **4,731.29 lakhs** (previous year ₹ 4,390.00 lakhs)]		
	9,275.82	9,585.76

Note 16 OTHER NON-CURRENT ASSETS *(Unsecured, considered good)*

Trade receivables (refer note 19)	1,163.67	-
Bank deposits due to mature after 12 months of the reporting date (refer note 20)	54.56	0.22
Interest accrued on fixed deposits	1.00	0.01
Long-term deferred expenses	-	1,306.54
	1,219.23	1,306.77

Note 17 CURRENT INVESTMENTS

Amount in ₹ Lakhs

Particulars	Number of units as at 31 March 2013	Number of units as at 31 March 2012	31 March 2013	31 March 2012
(i) Current portion of long-term investments (at cost)				
Mutual funds - quoted				
Birla Sun Life Fixed Term Plan Series DT Growth	-	16,000,000	-	1,600.00
Templeton India Short Term Income Retail Plan - Growth	-	120,639	-	2,500.00
ICICI Prudential MF FMP Series 63-1 Y Plan B Cumulative	-	15,000,000	-	1,500.00
Kotak MF FMP Series 62 - Growth	-	16,270,000	-	1,627.00
Kotak MF FMP Series 66 - Growth	-	15,000,000	-	1,500.00
Kotak MF FMP Series 79 - Growth	-	15,000,000	-	1,500.00
Reliance Regular Saving Fund-Debt Plan-Institutional Growth Plan	-	19,293,845	-	2,700.00
Reliance Fixed Horizon Fund XIX Series 5-Growth Plan	-	20,000,000	-	2,000.00
DSP Blackrock FMP Series 39 - 12M - Growth	-	15,000,000	-	1,500.00
HDFC FMP 370D March 2012 (1) - Growth Series XXI	-	10,000,000	-	1,000.00
HSBC MF Fixed Term Series 82 - Growth	-	40,000,000	-	4,000.00
HSBC MF Fixed Term Series 83 - Growth	-	10,000,000	-	1,000.00
(ii) Other investments (at the lower of cost and fair value)				
Mutual funds - quoted				
UTI Bond Fund - Growth Plan - Regular	18,693,870	-	6,500.00	-
Kotak Bond Scheme Plan A - Growth	7,424,963	-	2,500.00	-
Reliance Dynamic Bond Fund - Growth Plan	12,956,641	-	2,000.00	-
			11,000.00	22,427.00
Quoted current investments				
Aggregate book value			**11,000.00**	22,427.00
Aggregate market value			**11,099.59**	23,035.95

Investments amounting to ₹ **11,000.00 lakhs** (previous year ₹ 21,427.00 lakhs) are pledged with banks against various credit facilities availed by the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 18 INVENTORIES *(Valued at the lower of cost and net realisable value)*

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Raw materials [including goods-in-transit ₹ **2,197.09 lakhs** (previous year ₹ Nil)]	22,587.23	15,561.57
Work-in-progress	9,615.15	2,544.44
Finished goods	7,240.43	12,314.85
Packing materials	353.11	616.03
Stores and spares	1,321.50	925.55
	41,117.42	31,962.44

Note 19 TRADE RECEIVABLES *(Unsecured and considered good)*

Receivables outstanding for a period exceeding six months from the date they became due for payment	1,528.31	1,429.15
Less: Non current portion disclosed under note 16	1,163.67	-
	364.64	1,429.15
Other receivables	24,133.81	23,013.13
	24,498.45	24,442.28

Note 20 CASH AND BANK BALANCES

Cash and cash equivalents		
Cash on hand	16.04	50.27
Cheques on hand	1,955.36	1,117.95
Notes receivable	-	127.42
Balances with banks		
On current accounts	4,009.15	989.05
On EEFC accounts	1,489.52	880.89
On deposit accounts (with original maturity of 3 months or less)	835.00	-
	8,305.07	3,165.58
Other bank balances		
Bank deposits due to mature within 12 months of the reporting date	1,820.20	4,046.64
Fixed deposits held as margin money	0.27	0.27
Unpaid dividend account	71.38	70.66
	1,891.85	4,117.57
	10,196.92	7,283.15
Details of balance with banks on deposit account ^		
Deposits with original maturity of 3 months or less included under 'Cash and cash equivalents'	835.00	-
Deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	1,820.20	4,046.64
Deposits due to mature after 12 months of the reporting date included under 'Other non-current assets' (refer note 16)	54.56	0.22
	2,709.76	4,046.86

^ Bank deposits aggregating ₹ **1,874.76 lakhs** (previous year ₹ 47.13 lakhs) have been pledged with the banks against guarantees/ letters of credit issued on behalf of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 21 SHORT-TERM LOANS AND ADVANCES *(Unsecured, considered good)*

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
To parties other than related parties		
Advances for supplies	8,510.98	8,192.95
Advance to employees	55.26	52.35
Other advances $	227.40	110.98
Balance with central excise and cenvat receivable	5,072.88	3,726.85
Sales tax deposit and VAT receivable	1,573.21	755.04
Income tax refundable	98.04	123.15
	15,537.77	12,961.32

$ Includes prepaid expenses and advance for expenses.

Note 22 OTHER CURRENT ASSETS *(Unsecured, considered good)*

Interest accrued on fixed deposits	5.08	212.34
Incentive receivable	332.14	332.14
Insurance claim receivable	15.41	629.58
Receivable against sale of mutual funds	3,887.39	-
Other receivables	31.79	-
	4,271.81	1,174.06

Note 23 REVENUE FROM OPERATIONS

Sale of products		
Carbon materials and chemicals	150,984.43	125,785.16
Power	977.34	460.92
	151,961.77	126,246.08

Note 24 OTHER INCOME

Interest on fixed deposits with banks	524.42	384.97
Dividend income		
Long-term investments	0.36	0.40
Current investments	-	64.13
Profit on redemption of mutual funds (current investments)	2,261.49	1,292.61
Insurance and other claims	25.82	15.74
Deferred expenses written back	189.08	-
Miscellaneous income	70.18	55.30
	3,071.35	1,813.15

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 25 COST OF MATERIALS CONSUMED

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Inventory of raw materials at the beginning of the year	15,561.57	11,368.63
Purchases	117,639.22	86,035.58
	133,200.79	97,404.21
Less : Inventory of raw materials at the end of the year	22,587.23	15,561.57
Foreign currency translation impact on movement in raw materials	29.89	49.71
	110,643.45	81,892.35

Note 26 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

Opening stock		
Finished goods	12,314.85	11,817.39
Work-in-progress	2,544.44	388.98
	14,859.29	12,206.37
Closing stock		
Finished goods	7,240.43	12,314.85
Work-in-progress	9,615.15	2,544.44
	16,855.58	14,859.29
Foreign currency translation impact on movement in finished goods and work-in-progress	26.50	14.31
	(1,969.79)	(2,638.61)

Note 27 EMPLOYEE BENEFITS EXPENSE

Salaries, wages and bonus @	2,219.92	1,523.00
Contribution to provident and other funds	139.05	78.98
Gratuity (refer note 34)	26.43	15.50
Staff welfare expenses	264.72	281.27
	2,650.12	1,898.75

@ includes ₹ **166.77 lakhs** (previous year ₹ 121.55 lakhs) relating to employees on deputation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 28 FINANCE COSTS

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Interest expense ^	6,163.12	4,284.85
Amortisation of discount on debenture	502.95	448.33
Other borrowing costs	512.52	422.06
Net loss on foreign currency transactions and translation to the extent regarded as borrowing costs #	780.54	2,452.19
	7,959.13	7,607.43

^ Interest expense for the year ended 31 March, 2013 includes interest on Foreign currency convertible bonds (FCCBs) amounting to ₹ 436.01 lakhs related to prior periods till 31 March, 2012.

The Company had previously exercised the option under para 46A of Notification No. GSR 914(E) dated 29 December 2011 issued by Ministry of Corporate Affairs (MCA) on Accounting Standard 11 - “The Effects of Changes in Foreign Exchange Rates”. Pursuant to the clarification dated 25 August 2012 issued by MCA, the Company has capitalized foreign exchange differences amounting to ₹ 709.07 lakhs pertaining to the year ended 31 March 2012, which was earlier treated as borrowing cost as per Accounting Standard 16 “Borrowing Costs”.

Note 29 OTHER EXPENSES

Consumption of stores and spare parts	332.51	170.69
Power and fuel *	1,541.83	1,398.50
Excise duty related to increase/ (decrease) in inventory of finished goods	(998.91)	379.57
Rent	243.55	170.77
Rates and taxes	173.81	340.43
Repairs to:		
Building *	101.69	66.65
Plant and machinery *	864.43	655.67
Others *	335.92	258.88
Payment to auditors	38.35	19.13
Rebates and discounts	0.77	30.17
Insurance	288.98	375.75
Packing expenses	1,106.63	1,063.95
Freight and forwarding expenses	5,007.03	3,428.73
Commission on sales	775.72	647.12
Long term deferred revenue expenses written off	-	168.17
Miscellaneous expenses	2,493.70	2,064.52
	12,306.01	11,238.70
* includes stores and spares consumed	**679.57**	452.40

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 30 EARNINGS PER SHARE (EPS)

Amount in ₹ Lakhs

Particulars		31 March 2013	31 March 2012
Profit attributable to Equity Shareholders (₹ in lakhs) (used as numerator for calculating Basic EPS)	(a)	943.79	5,725.40
Add: Interest on Foreign Currency Convertible Bonds (net of tax)	(b)	418.75	-
Profit adjusted for the effects of dilutive potential equity shares for calculation of diluted EPS (₹ in lakhs)	(c)=(a) + (b)	1,362.54	5,725.40
Weighted average number of equity shares (used as denominator for calculating Basic EPS)	(d)	385,732,570	385,732,570
Add: Effect of potential equity shares to be issued under Foreign Currency Convertible Bonds	(e)	12,157,818	18,919,486
Weighted average number of equity shares (used as denominator for calculating Diluted EPS)	(f) = (d) + (e)	397,890,388	404,652,056
Basic EPS of ₹ 1 each	(g) = (a) / (d)	0.24	1.48
Diluted EPS of ₹ 1 each *	(h) = (c) / (f)	0.24	1.41

* For the purpose of computation of dilutive EPS for the year ended 31 March 2013, potential equity shares that could arise on conversion of Foreign Currency Convertible Bonds are not resulting in dilution of EPS. Hence, they have been considered as anti-dilutive.

Note 31 CONTINGENT LIABILITIES AND COMMITMENTS *(to the extent not provided for)*

a) Contingent Liabilities:

(i) Bills discounted with banks	-	5,816.94
(ii) Interest on Foreign Currency Convertible Bonds	-	436.01
(iii) Sales tax matters in dispute/ under appeal	4,038.69	257.91
(iv) Excise/ Service Tax matters in dispute/under appeal	483.67	228.25
(v) Customs matters in dispute/ under appeal	28.83	28.83

b) Commitments:

i) Estimated amount of contracts remaining to be executed on capital on account and not provided for (net of advances)	343.74	1,927.02
ii) Estimated amount of export obligations to be fulfilled in respect of goods imported under advance license/ Export Promotion Capital Goods Scheme (EPCG)	10,068.13	9,192.58

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 32 AMOUNTS RECEIVABLE/ PAYABLE IN FOREIGN CURRENCY

(a) The Company uses various forms of derivative instruments such as foreign exchange forward contracts, options, cross currency swaps and interest rate swaps to hedge its exposure to movements in Foreign Exchange and Interest rates.

(b) Forward contracts / hedging instruments outstanding as at balance sheet date:

Nature and number of contract	Currency Pair	Position	Amount (Foreign currency in lakhs)	
			31 March 2013	31 March 2012
Forward contracts [Nil, (previous year 4)]	EURO/USD	Sell	-	600.00
Forward contracts [5, (previous year 12)]	USD/INR	Sell	150.00	545.00
Cross currency swaps [9, (previous year 9)]	USD/INR	Sell	440.10	462.49
Cross currency swaps [1, (previous year 1)]	USD/JPY	Sell	6,458.33	7,319.44
Interest rate swaps [3, (previous year 2)]	USD/INR	Notional Principal	246.12	108.05
Interest rate swaps [4, (previous year Nil)]	USD-Floating to Fixed	Notional Principal	341.25	-
Interest rate swaps [1, (previous year 1)]	JPY/INR	Notional Principal	4,733.69	4,733.69
Currency swaps [7, (previous year 37)]	JPY/USD	Buy	11,895.11	20,304.51

(c) All derivative contracts outstanding as at the year end are marked to market. The Company has applied the hedge accounting principles set out in the Accounting Standard (AS) 30 Financial Instruments: Recognition and Measurement.

Accordingly, loss aggregating to ₹ **2,634.81 lakhs** (previous year ₹ 1,630.66 lakhs), being the effective portion of the contracts designated as effective hedges for future cash flows has been recognised in the Hedging Reserve Account to be ultimately recognised in the Profit & Loss Account, depending on the exchange rate fluctuation till and when the underlying forecasted transactions occur.

Gain/loss on contracts not designated as effective hedges and ineffective portion of the contracts designated as effective hedges are included in Foreign Exchange Fluctuation Account, after adjustment of periodic premium received on cross currency/ interest rate swaps.

(d) **Particulars of unhedged foreign currency exposure:**

Particulars	Currency	31 March 2013		31 March 2012	
		Amount (in original currency, lakhs)	Amount (₹ in lakhs)	Amount (in original currency, lakhs)	Amount (₹ in lakhs)
a) Amounts payable in foreign currency	USD	1,408.59	76,617.17	1,026.74	52,524.43
b) Amounts payable in foreign currency	JPY	18,335.98	10,590.86	27,281.95	17,509.44
c) Amounts payable in foreign currency	EURO	32.26	2,243.74	36.51	2,494.50
d) Amounts receivable in foreign currency	USD	87.45	4,756.23	115.94	5,931.10
e) Amounts receivable in foreign currency	EURO	2.29	159.21	2.29	156.45

Note 33

Trade receivables include an amount of ₹ **798.10 lakhs** due from a customer which is currently under arbitration proceedings. Based on the merits of the case, the management believes that the outcome of the said proceedings would be in favour of the Company.

Note 34 EMPLOYEE BENEFITS: POST EMPLOYMENT BENEFIT PLANS

1. **Defined contribution plans**

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and Superannuation Fund, which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contributions are charged to the statement of profit and loss as they accrue. The amount recognised as an expense towards contribution to Provident Fund and Superannuation fund for the year aggregated to ₹ **64.73 lakhs** (previous year ₹ 53.04 lakhs) and ₹ **21.81 lakhs** (previous year ₹ 25.94 lakhs) respectively.

2. **Defined benefit plans**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

The following table summarises the position of assets and obligations relating to the gratuity plan.

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Net Asset / (liability) recognised in Balance sheet as at the year end		
Present value of obligations	85.63	53.92
Fair value of plan assets	69.55	44.37
Asset/ (liability) recognised in balance sheet	16.08	9.55
Classification into current/ non-current		
Current portion	11.80	9.55
Non-current portion	4.28	-
Movement in present value of defined benefit obligations		
Defined benefit obligation at 1 April	53.92	33.70
Current service cost	20.56	7.29
Interest cost	4.90	2.70
Actuarial (gains) / losses	6.60	10.41
Benefits paid by the plan	(0.35)	(0.18)
Defined benefit obligation at 31 March	85.63	53.92
Movement in fair value of plan assets		
Fair value of plan assets at 1 April	44.37	35.01
Contributions paid into the plan	19.89	5.95
Benefits paid by the plan	(0.35)	(0.18)
Expected return on plan assets	4.06	3.59
Actuarial (losses) / gains	1.58	-
Fair value of plan assets at 31 March	69.55	44.37
Composition of plan assets		
Qualifying insurance policies	100%	100%
Expense recognised in statement of profit and loss		
Current service cost	20.56	7.29
Interest on obligation	4.90	2.70
Expected return on plan assets	(4.06)	(3.59)
Net actuarial (gain)/ loss recognised in the year	5.03	10.41
Net asset not recognised/ adjusted	-	(1.31)
Total included in 'employee benefits'	26.43	15.50
Actual return on plan assets		
Expected return on plan assets	4.06	3.59
Actuarial gain/(loss) on plan assets	1.58	-
Actual return on plan assets	5.64	3.59
Principal actuarial assumptions		
Discount rate	8%	8%
Expected return on plan assets	9.15%	9.15%
Salary growth rate	5%	4.50%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

relevant factors, such as supply and demand in the employment market.

Discount rate is based on the prevailing market yield of Indian Government securities as at the year end for the estimated term of the obligation.

Assumptions regarding future mortality are based on published statistics and mortality tables. The calculation of the defined benefit obligation is sensitive to the mortality assumptions.

Five-year information

Amounts for the current and previous four periods are as follows:

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Gratuity					
Present Value of benefit obligation	85.63	53.92	33.70	23.70	18.12
Fair value of plan assets	69.55	44.37	35.01	25.48	23.37
Surplus / (deficit) in the plan	(16.08)	(9.55)	1.31	1.78	5.25
Experience adjustments arising on plan liabilities [(gain)/ loss]	19.42	10.42	2.98	1.86	(2.30)
Experience adjustments arising on plan assets [gain/ (loss)]	0.61	-	-	-	-

Proposed contribution for next year

The Company expects to pay ₹ **11.80 lakhs** as contribution to its defined benefit plan in the next year (previous year ₹ 10.36 lakhs).

Note 35 RELATED PARTY DISCLOSURE

(i) **Names of the related parties with whom transactions have taken place during the year**

(a) **Key Managerial Personnel**
Mr. Bankey Lal Choudhary, Managing Director
Mr. Shyam Sundar Choudhary, Executive Director
Mr. Vijay Kumar Choudhary, Executive Director
Mr. Anurag Choudhary, Chief Executive Officer
Mr. Amit Choudhary, President - Projects
Mr. Tushar Choudhary, President - Operations

(b) **Relative of Key Managerial Personnel**
Mr. Damodar Prasad Choudhary

(c) **Enterprises owned or significantly influenced by the Key Managerial Personnel or their relatives**
Himadri Credit & Finance Limited
Himadri Dyes & Intermediates Limited
Himadri Coke & Petro Limited
Himadri Industries Limited
Sri Agro Himghar Limited
Himadri e-Carbon Limited

(d) **Associate**
BC India Investments

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

(ii) Details of transactions with related parties

Amount in ₹ Lakhs

Particulars	31 March 2013	31 March 2012
Salaries/Managerial Remuneration		
Mr.Bankey Lal Choudhary	30.00	30.00
Mr.Shyam Sundar Choudhary	30.00	30.00
Mr.Vijay Kumar Choudhary	30.00	30.00
Mr. Anurag Choudhary	30.00	12.00
Mr. Amit Choudhary	30.00	12.00
Mr. Tushar Choudhary	30.00	12.00
Repayment of loan		
Himadri Credit & Finance Limited	-	750.00
Interest paid on loan		
Himadri Credit & Finance Limited	-	18.49
Discount on Debentures written off		
Himadri Coke & Petro Limited	502.95	448.33
Rent paid		
Himadri Dyes & Intermediates Limited	0.07	0.07
Himadri Industries Limited	0.07	0.07
Sri Agro Himghar Limited	0.04	0.04
Dividend paid		
BC India Investments	103.18	103.18
Himadri Dyes & Intermediates Limited	98.28	98.28
Himadri Industries Limited	46.14	46.14
Himadri Credit & Finance Limited	9.49	9.49
Himadri Coke & Petro Limited	5.50	5.50
Vijay Kumar Choudhary	3.27	3.27
Shyam Sundary Choudhary	3.23	3.23
Bankey Lal Choudhary	1.48	1.48
Damodar Prasad Choudhary	1.48	1.48

(iii) Balances at the year end

Investment held		
Himadri Credit & Finance Limited	33.49	33.49
Himadri Dyes & Intermediates Limited	72.00	72.00
Himadri Industries Limited	84.50	84.50
Himadri e-Carbon Limited	1.70	4.00
Deep Discount Debentures		
Himadri Coke & Petro Limited	4,631.12	4,128.17

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 36 OPERATING LEASE

a) The Company has taken various commercial premises and equipment under cancellable operating leases. These lease agreements are normally renewed on expiry.

b) The Company has also taken certain commercial premises under non-cancellable operating leases, the future minimum lease payments in respect of which are as follows:

Amount in ₹ Lakhs

Particulars	Minimum Lease Payments	
	31 March 2013	31 March 2012
Not later than one year	24.00	24.00
Later than one year and not later than five years	52.80	76.80

c) Lease payments recognized in Statement of Profit and Loss with respect to operating leases ₹ **144.11 lakhs** (previous year ₹ 135.50 lakhs) included under head "Rent in note 29".

Note 37 RESEARCH AND DEVELOPMENT EXPENSES

Research and Development expenses aggregating to:

a. ₹ **215.60 lakhs** (previous year ₹ 156.64 lakhs) in the nature of revenue expenditure and ₹ **90.84 lakhs** (previous year ₹ 35.88 lakhs) in the nature of capital expenditure have been included under the appropriate account heads.

b. ₹ **Nil** (previous year ₹ 724.72 lakhs) debited in earlier year to Capital work-in-progress has been capitalised.

Note 38 SEGMENT DISCLOSURE

Segment information in accordance with Accounting Standard 17 prescribed by the Companies (Accounting Standards) Rule, 2006 (as amended).

a. Determination of segment information is based on the organisational and management structure of the Company and its internal financial reporting system. The Company business segments namely "Carbon materials and chemicals" and "Power" have been considered as primary segments for reporting format. Segment revenue, results, assets and liabilities include the respective amounts that are directly attributable to or can be allocated on a reasonable basis to each of the segments. Revenue, expenses, assets and liabilities which relate to the enterprise as a whole and are neither attributable to nor can be allocated on a reasonable basis to each of the segments, have been disclosed as unallocable. Inter-segment revenue of Power has been recognized at price at which the same is sold to external customer.

b. In respect of secondary segment information, the Company has identified its geographical segment as (i) Within India and (ii) Outside India. The secondary segment information has been disclosed accordingly.

Information about business segment:

Amount in ₹ Lakhs

Particulars	Carbon materials and chemicals		Power		Elimination		Total	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Revenue - net of excise duty								
External sales	134,354.20	114,014.97	977.34	460.92	-	-	135,331.54	114,475.89
Inter-segment sales	-	-	998.30	817.07	998.30	817.07	-	-
Total revenue	**134,354.20**	**114,014.97**	**1,975.64**	**1,277.99**	**998.30**	**817.07**	**135,331.54**	**114,475.89**
Results								
Segment result	**5,050.48**	**16,928.28**	**1,195.54**	**626.79**	-	-	**6,246.02**	**17,555.07**
Unallocated corporate income/ (expenditure) (net)							(1,397.25)	2,817.48
Operating profit							**7,643.27**	**14,737.59**
Interest income							(524.42)	(384.97)
Interest expenses							7,959.13	7,607.43

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Amount in ₹ Lakhs

Particulars	Carbon materials and chemicals		Power		Elimination		Total	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Profit before tax							**208.56**	**7,515.13**
Current tax expense							29.25	6.63
Deferred tax charge/ (credit)							(677.89)	1,815.53
Profit after tax (before adjustment for minority interest)							**857.20**	**5,692.97**
Share of Profit/(loss) transferred to minority interest							(86.59)	(32.43)
Profit after tax (after adjustment for minority interest)							**943.79**	**5,725.40**
Other information:								
Segment assets	204,481.55	180,669.13	6,109.92	6,826.40	-	-	210,591.47	187,495.53
Unallocable corporate assets							31,229.38	35,404.28
Total assets	**204,481.55**	**180,669.13**	**6,109.92**	**6,826.40**	-	-	**241,820.85**	**222,899.81**
Segment liabilities	8,656.06	7,519.70	22.24	21.39	-	-	8,678.30	7,541.09
Unallocable corporate liabilities							144,345.20	125,751.83
Total liabilities	**8,656.06**	**7,519.70**	**22.24**	**21.39**	-	-	**153,023.50**	**133,292.92**
Capital expenditure during the year	17,587.39	26,523.52	30.94	2,303.00	-	-	17,618.33	28,826.52
Depreciation and amortisation	5,174.51	4,365.28	353.22	234.00	-	-	5,527.73	4,599.28
Non cash expenses other than depreciation and amortisation	-	-	-	-	-	-	-	-

Secondary segment information (geographical segment):

Amount in ₹ Lakhs

Particulars	Within India		Outside India		Total	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012
External revenue by location of customers	**121,825.02**	95,567.53	**13,506.52**	18,908.36	**135,331.54**	114,475.89
Carrying amount of segment assets by location of assets	**227,581.05**	206,006.94	**14,239.80**	16,892.87	**241,820.85**	222,899.81
Cost incurred on acquisition of tangible and intangible fixed assets	**15,122.66**	26,138.13	**2,495.67**	2,688.39	**17,618.33**	28,826.52

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

Note 39

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification/ disclosure.

Note 40

The consolidated financials statements of the previous year were audited by one of the joint auditors, M/s S. Jaykishan, Chartered Accountants.

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Firm's Regn No: 101248W

Sd/-
Vijay Bhatt
Partner
Mem No.: 036647

For **S. Jaykishan**
Chartered Accountants
Firm's Regn No: 309005E

Sd/-
B. K. Newatia
Partner
Mem No.: 050251

Place: Kolkata
Date: 25 May 2013

For and on behalf of the Board of Directors of
Himadri Chemicals & Industries Limited

Sd/-
Bankey Lal Choudhary
Managing Director

Sd/-
Shyam Sundar Choudhary
Executive Director

Sd/-
Bajrang Lal Sharma
Company Secretary

Place: Kolkata
Date: 25 May 2013

NOTES

NOTES

CORPORATE INFORMATION

Board of Directors

Mr. Damodar Prasad Choudhary
– Chairman

Mr. Pavninder Singh
– Nominee of Bain Capital India Investments

Mr. Rahul Kumar Yadav
– Nominee of Citigroup Venture Capital International Growth Partnership Mauritius Ltd.

Mr. Shyam Sundar Choudhary
– Executive Director

Mr. Bankey Lal Choudhary
– Managing Director

Mr. Vijay Kumar Choudhary
– Executive Director

Mr. B.P. Dhanuka
– Non-Executive Independent Director

Dr. B. Sen
– Non-Executive Independent Director

Mr. S.K. Banerjee
– Non-Executive Independent Director

Mr. S.K. Saraf
– Non-Executive Independent Director

Mr. H. S. Mann
– Non-Executive Independent Director

Mr. Krishnava Dutt
– Non-Executive Independent Director

Senior Management Team

Mr. Anurag Choudhary
– Chief Executive Officer

Mr. Rene Genin
– Director, Technical

Mr. Manuel Cimas Gonzalez
– Director, Business Development

Mr. Amit Choudhary
– President, Projects

Mr. Tushar Choudhary
– President, Operations

Dr. C.R. Natrajan
– President, R&D

Dr. Soumen Chakraborty
– Joint President, (Carbon Black Business)

Bankers

Central Bank of India
Citi Bank, N.A.
State Bank of India
The Hongkong & Shanghai Banking Corporation Ltd.
Yes Bank Ltd.
DBS Bank Ltd.
Axis Bank Ltd.
ICICI Bank Ltd.
Union Bank of India
Standard Chartered Bank
IndusInd Bank

Registrar & Share Transfer Agents

M/s. S.K. Infosolutions Pvt. Ltd
34/1A, Sudhir Chatterjee Street
Kolkata 700 006
Tel: (033) 2219 6797/ 4815
E-mail: agarwalskc@rediffmail.com

Registered Office

8, India Exchange Place, 2nd Floor,
Kolkata – 700 001
Tel: (033) 2230-4363/ 9953
Fax: 91-033- 2230-9051
E-mail: info@himadri.com

Corporate Office

Fortuna Tower, 23-A, Netaji Subhas Road 8th Floor,
Kolkata - 700 001

Joint Auditors

M/s S. Jaykishan
Chartered Accountants
12 Ho-Chi Minh Sarani
Suite No. 2D- 2F, 2nd Floor
Kolkata 700 071

M/s BSR & Co.
Chartered Accountants
Infinity Benchmark, Plot No. G - 1,
10th Floor, Block – EP & GP, Sector V
Salt Lake – City, Kolkata – 700 091

Company Secretary & Compliance officer

Mr. B.L. Sharma

Solicitors & Advocates

M/s Sandip Agarwal & Co.
10 Old Post Office Street
Gr. Floor, Room No. 10
Kolkata 700 001

Works

Unit number 1
58 N.S. Road, Liluah, Howrah (W.B.)

Unit number 2
27B Gadadhar Bhatt Road, Liluah, Howrah (W.B.)

Mahistikry unit
Mahistikry, P.S. – Haripal
District Hooghly (W.B.)

Visakhapatnam unit
Ancillary Industrial Estate
Visakhapatnam (A.P.)

Korba unit
Jhagrah, Rajgamar Colliery
Korba (Chhattishgarh)

Vapi unit
GIDC 1st Phase, Vapi (Gujarat)

Windmill units

1. Village Amkhel: Taluka- Sakri, District Dhule, Maharashtra
2. Village Titane, Taluka- Sakri, District Dhule, Maharashtra

Falta unit
Falta Special Economic Zone
Sector- II, Vill- Simulberia, Falta,
Dist- 24 Pgs (South), West Bengal

China unit
LongKou, Shandong, China

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