# National Peroxide Limited

Annual Report 2011-2012

(Registered — 16th March, 1954)

**DIRECTORS** (As on 14th May, 2012)

NESS N. WADIA *Chairman*

P. V. KUPPUSWAMY

K. N. SUNTOOK

R. BATRA

J. S. BILIMORIA

D. N. MEHTA

N. P. GHANEKAR

S. R. LOHOKARE (*Managing Director)*

**COMPANY SECRETARY**

S. A. GAIKWAD

**BANKERS**

STATE BANK OF INDIA

CANARA BANK

**SOLICITORS AND ADVOCATES**

CRAWFORD BAYLEY & CO.

**AUDITORS**

S. B. BILLIMORIA & CO.
*Chartered Accountants*

**REGISTERED OFFICE**

NEVILLE HOUSE,
J. N. HEREDIA MARG,
BALLARD ESTATE,
MUMBAI - 400 001.

**FACTORY**

N.R.C. ROAD, P.O. ATALI,
VIA MOHONE,
KALYAN - 421 102,
DIST. THANE,
MAHARASHTRA.

**REGISTRAR & SHARE TRANSFER AGENTS**

**SHAREX DYNAMIC (INDIA) PVT. LTD.**
UNIT NO. 1,
LUTHRA INDUSTRIAL PREMISES,
ANDHERI-KURLA ROAD,
SAFED POOL, ANDHERI (E),
MUMBAI - 400 072.
Tel: 2851 5644 / 2851 5606

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# NOTICE

NOTICE is hereby given that the Fifty-Eighth Annual General Meeting of the Members of NATIONAL PEROXIDE LIMITED will be held at Sunville Banquet & Conference Rooms, 9, Dr. Annie Besant Road, Near Worli Flyover, Worli, Mumbai 400 018, on Thursday, 9th August, 2012 at 4.00 p.m. to transact the following business:

**Ordinary Business:**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2012 and the Statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in the place of Mr. K. N. Suntook, who retires by rotation, and being eligible, offers himself for re–appointment.
4. To appoint a Director in the place of Mr. Rajesh Batra, who retires by rotation, and being eligible, offers himself for re–appointment.
5. To appoint Messrs. S. B. Billimoria & Co., Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

**NOTES:**

(a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND A PROXY NEED NOT BE A MEMBER. The instruments appointing the proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

(b) The Share Transfer Books and the Register of Members of the Company will remain closed from Friday, 27th July, 2012 to Thursday, 9th August, 2012, both days inclusive.

(c) (i) The dividend, if any, that may be declared at the Meeting, shall be paid on or after 10th August, 2012 to those shareholders whose names stand on the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company's Registrar & Transfer Agents on or before 26th July, 2012, in respect of the shares held in physical form.

(ii) In respect of the shares held in electronic form, the dividend for the year ended 31st March, 2012 will be payable to the beneficial owners of the shares as at the closing hours of 26th July, 2012, as per the details to be furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd., for this purpose.

(d) Members are requested to notify immediately any (i) change of address; (ii) change of bank details; (iii) NECS mandate; or (iv) nomination to:

(1) their Depository Participants (DPs) in respect of shares held in demat form; and

(2) the Company's Registrar & Transfer Agents, Sharex Dynamic (India) Pvt. Ltd., in respect of shares held in physical form, at the following address:

Unit No. 1,
Luthra Industrial Premises,
Andheri-Kurla Road,
Safed Pool, Andheri (E), Mumbai - 400 072.
Tel: 2851 5644/2851 5606

The aforesaid information should reach Sharex Dynamic (India) Pvt. Ltd. on or before 26th July, 2012, except nomination which can be done at any time.

(e) Members are requested to refer to the Note on "Green Initiative" appended to this Notice.

(f) The unclaimed dividends for the year ended 31st March, 1994 and previous years, declared by the Company have been transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956. Shareholders who have not encashed their dividend warrants for the aforesaid years are requested to claim the amount from the Registrar of Companies, Maharashtra, Mumbai.

Unclaimed dividends for the financial years 1994-95; 1995-96; 1996-97; 2000-01, 2001-02, 2002-03 and 2003-04 were transferred to the Investor Education and Protection Fund (IEPF) as required in terms of Section 205A read with Section 205C of the Companies Act, 1956. No claim shall lie against the IEPF or the Company in respect of the unclaimed/unpaid amount(s) transferred to the IEPF.

In terms of Section 205A read with Section 205C of the Companies Act, 1956, dividends for the years ended 31st March, 2005 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the respective dates of transfer to the unpaid dividend account of the Company are due for transfer to the IEPF. The last dates for claiming unpaid dividends are given in the table below:

| Financial Year | Date of Declaration of Dividend | Last Date for Claiming Unpaid Dividend |
|---|---|---|
| 2004-05 | 28.07.2005 | 27.07.2012 |
| 2005-06 | 28.07.2006 | 27.07.2013 |
| 2006-07 | 27.07.2007 | 26.07.2014 |
| 2007-08 | 23.07.2008 | 22.07.2015 |
| 2008-09 | 21.07.2009 | 20.07.2016 |
| 2009-10 | 30.07.2010 | 29.07.2017 |
| 2010-11 | 08.08.2011 | 07.08.2018 |

Members who have so far not encashed the Dividend Warrants for the above years are advised to submit their claim to Sharex Dynamic (India) Pvt. Ltd., at the address given above, quoting their folio numbers/DP ID & Client ID. It may be noted that once the unclaimed/unpaid dividend is transferred to the IEPF as aforesaid, no claim shall lie in respect of such amount(s) by the members.

(g) Members/Proxies should bring the Attendance Slip sent herein duly filled in for attending the Meeting.

(h) Members are requested to bring their copy of the Annual Report to the Meeting.

(i) Members desiring any information/clarification as regards the Accounts are requested to write to the Company at least 10 days before the Annual General Meeting to enable the Management to reply at the Meeting.

(j) As required in terms of Paragraph IV(G)(i) of Clause 49 of the Listing Agreement, the details of the Director(s) being appointed/re-appointed are furnished below:

**1. Mr. K. N. Suntook**

Mr. K. N. Suntook, 77, is a B.A., LL.B. (Advocate), FCS. He was inducted on the Board in July 1984. He has 49 years experience, as a Senior Executive and ultimately Director in some Tata Group Companies, specializing in general management, finance, human resource development and planning.

Mr. Suntook also has vast experience in international business.

Mr. Suntook is not related to any of the other Directors. He does not hold any shares of the Company.

**Other Directorships:** The Associated Building Co. Ltd. (Chairman); National Centre for the Performing Arts (Chairman)

**Committee Memberships:** National Peroxide Ltd. (Audit Committee; Remuneration Committee; Finance Committee)

**2. Mr. Rajesh Batra**

Mr. Rajesh Batra, 57, did his schooling in Campion School, Mumbai and graduated from Elphinstone College, in 1975. He then obtained a Diploma in Systems Management from the Jamnalal Bajaj Institute in 1978.

Son of Mr. Ram Batra, a leading Businessman and Sheriff of Bombay in 1978, Rajesh Batra, along with his brother Rajiv, founded Proline in 1983. The brand has a national presence and is presently sold through more than 30 company exclusive stores, major department stores & malls and several hundred retail outlets.

A keen tennis enthusiast, Mr. Batra was the Maharashtra State Champion during 1970s and was ranked number 6 in India at that time. He has also represented India in the Asian Junior Championships in 1973 where he was a finalist and at the World University Games in 1973 in Moscow.

Mr. Batra is a Director on the Board of several Companies. Besides this, he is a trustee on several charitable trusts and promotes tennis through the Ram Batra Memorial Foundation.

Mr. Batra does not hold any shares of the Company.

**Other Directorships:** Cravatex Ltd.; Proline India Ltd.; B.R.T. Ltd.; Technojet Consultants Ltd.; Proline Exports Pvt. Ltd.; Promark Fitness & Leisure Pvt. Ltd.; Jehreen Investments Pvt. Ltd.; Lochness Investments Pvt. Ltd.; Citroflex Pvt. Ltd.; Spring Flower Investments Pvt. Ltd.; Nitapo Holdings Pvt. Ltd.; Heera Holdings & Leasing Pvt. Ltd.

**Committee Memberships:** National Peroxide Ltd. (Audit Committee; Remuneration Committee; Shareholders'/Investors' Grievance Committee); Cravatex Ltd. (Shareholders' Committee)

By Order of the Board of Directors
For NATIONAL PEROXIDE LIMITED

SATISH GAIKWAD
*Company Secretary*

*Registered Office:*

Neville House
J. N. Heredia Marg
Ballard Estate
Mumbai - 400 001

*Mumbai, 14th May, 2012*

## GREEN INITIATIVE

**Regarding Service of Documents to Shareholders by E-mail**

The Ministry of Corporate Affairs ('MCA') has now expressly permitted Companies to effect service of documents on shareholders through the electronic mode by giving each shareholder an opportunity to register with the Company his/her e-mail address.

We, therefore, plan to send documents such as the Annual Report, notices of general meetings, circulars and postal ballot notices by e-mail to those shareholders whose e-mail IDs are available with us.

MCA has clarified that service of documents on shareholders through e-mail will constitute sufficient compliance with Section 53 of the Companies Act, 1956.

In view of the above, should you desire to receive documents from the Company through the electronic mode, please intimate update your e-mail IDs to :

1. Your Depository Participants (DPs) in respect of shares held in demat form; and
2. The Company's Registrar & Transfer Agents, in respect of shares held in physical form, either by sending e-mail at naperol@sharexindia.com or sending a letter duly signed by first/sole holder, quoting the full name and folio to the following address:

   Sharex Dynamic (India) Pvt. Ltd.
   (NATIONAL PEROXIDE LIMITED)
   Unit No. 1, Luthra Industrial Premises,
   Andheri-Kurla Road, Safed Pool,
   Andheri (E), Mumbai – 400 072.
   Tel: 2851 5644/2851 5606

You may, however, change your instructions at any time and request us to send you the documents in the physical form only.

The documents that we propose e-mailing you will also be available for ready access on our website www.naperol.com.

We trust, as a responsible citizen, you will join us in our initiative to conserve our environment through the curtailment of consumption of paper.

# DIRECTORS' REPORT TO THE MEMBERS

The Directors take pleasure in presenting their Report on the business and operations of the Company and the Financial Accounts for the year ended 31st March, 2012.

## 1. FINANCIAL RESULTS

| | For the year ended 31st March, 2012 (₹ in lac) | *For the year ended 31st March, 2011 (₹ in lac)* |
|---|---|---|
| Gross Turnover (net of excise) | 15,330.96 | *18,163.11* |
| Profit before Interest & Depreciation | 4,931.28 | *9,511.06* |
| Less: Interest | 40.75 | *75.84* |
| Profit before Depreciation | 4,890.53 | *9,435.22* |
| Less: Depreciation | 1,002.19 | *840.96* |
| Profit before Tax | 3,888.34 | *8,594.26* |
| Less: Provision For Tax: | | |
| – Current Tax | 810.00 | *2,872.00* |
| – Deferred Tax | 336.85 | *(66.00)* |
| – Excess provision of Taxes for prior years | (6.63) | *(4.01)* |
| Profit after Tax | 2,748.12 | *5,792.27* |
| Balance brought forward from previous year | 10,077.79 | *5,646.45* |
| AMOUNT AVAILABLE FOR APPROPRIATIONS | 12,825.91 | *11,438.72* |
| Appropriations: | | |
| Proposed Dividend | 689.64 | *689.64* |
| Corporate Dividend Tax | 107.63 | *91.79* |
| Transfer to General Reserve | 275.00 | *579.50* |
| Balance carried to Balance Sheet | 11,753.64 | *10,077.79* |
| | 12,825.91 | *11,438.72* |

YEAR IN RETROSPECT

The gross sales and other income for the year under review were ₹ 15,617 lac as against ₹ 18,488 lac for the previous year registering a decrease of 16%. The profit before tax was ₹ 3,888 lac (after interest and depreciation charges of ₹ 1,043 lac) and the profit after tax was ₹ 2,748 lac for the year under review as against ₹ 8,594 lac and ₹ 5,792 lac respectively, for the previous year, both down by 55% and 53% respectively.

An inventory of 5,422 MT of Hydrogen Peroxide ($H_2O_2$) was available for the Plant shutdown taken from 11th April to 21st June, 2011 to implement the 84,000 MTPA Expansion Project. However, due to the extension of shutdown and the prevailing market conditions, there was a loss of 1,500 MT of $H_2O_2$ by way of sales. The plant started commercial production from 1st September, 2011.

The decline in the sales volume during the year was partially due to the shutdown and sluggish market conditions. The decline in profit was due to lower sales realization arising from higher imports at lower prices.

## 2. DIVIDEND

Considering the Company's performance, the Board of Directors recommends a dividend of ₹ 12/- per equity share of ₹ 10/- each for the year ended 31st March, 2012 to be paid, if declared by the members at the Annual General Meeting to be held on 9th August, 2012.

## 3. OPERATIONS

During the year under review, your Company successfully implemented the expansion project which has increased the capacity of the Hydrogen Peroxide ($H_2O_2$) Plant from 68,000 MTPA to 84,000 MTPA.

During the year under review, the Company produced 57,624 MT of $H_2O_2$, as compared to 71,826 MT during the previous year.

The Company sold 61,240 MT of $H_2O_2$ during the year under review, as against 66,806 MT during the previous year. The lower demand in the market led to a decrease in prices of $H_2O_2$, resulting in lower profit for the year. The Company, however, continues to maintain its prime position in the market and held 40% market share during the year.

3.29 Million Cubic Meters (MCM) of Hydrogen Gas ($H_2$) were also sold during the year, as against 3.92 MCM during the previous year. Sales of $H_2$ were lower as compared to the previous year, due to the shutdown for expansion.

The price of crude oil and consequently Natural Gas had risen significantly by the end of the year thereby impacting the cost of production.

During the year, the Company received ₹ 25.50 lac by way of dividend from its wholly owned subsidiary, Naperol Investments Ltd. Since the Company became debt free, the cash surplus was invested in financial instruments. The interest & dividend income on account of such investments amounts to ₹ 109 lac. As a result, the other income of the Company was ₹ 286 lac as against ₹ 325 lac in previous year.

The timing of the next stage of expansion to 95,000 MTPA is under review.

**4. AWARDS AND RECOGNITION**

The Company received the following awards during the year 2011-12:

(a) *'National Safety Award - 2009'*

Awarded by Government of India, Ministry of Labour and Employment, Directorate General Factory Advice Service & Labour Institutes, for outstanding performance in Industrial Safety as Winner, during the performance year 2009 based on ACCIDENT FREE YEAR, under scheme - VIII, Schedule - 02 (Manufacture of Chemicals & Chemical Products).

(b) *'Forbes List of Asia's 200 Best Under A Billion'*

National Peroxide Limited was featured in Forbes List of Asia's 200 Best Under A Billion for the year 2011. These are essentially Forbes' picks of the companies (from an initial field of over 15,000 in 2011) that have best managed through the economic volatility that began in 2008.

These awards are in recognition of serious efforts made by the Company in various aspects of its business.

**5. SAFETY & ENVIRONMENT**

The Company continues to maintain a good safety and environmental record and has worked for 1,355 days without Lost Time Injury as on 31st March, 2012.

**6. INSURANCE**

All the properties of the Company, including buildings, plant and machinery, stocks and materials have been adequately insured. The Company also has a public liability insurance policy as per the Public Liability Insurance Act, 1991.

**7. FIXED DEPOSITS**

There are no outstanding or unclaimed deposits as on 31st March, 2012. The Company does not accept fresh deposits at present.

**8. DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. K. N. Suntook and Mr. Rajesh Batra retire by rotation and both being eligible, offer themselves for re-appointment.

**9. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956 ('the Act'), the Directors, based on the representations received from the Operating Management, confirm that –

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;

(ii) they have, in selection of accounting policies, consulted the statutory auditors and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the profit of the Company for the year ended 31st March, 2012;

(iii) they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) they have prepared the Annual Accounts on a going concern basis.

**10. CORPORATE GOVERNANCE**

Your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance in terms of Clause 49 of the Listing Agreement, with BSE Ltd. (previous name - Bombay Stock Exchange Limited) have been complied with.

A separate report on Corporate Governance is being incorporated as a part of the Annual Report along with a Certificate from a Practicing Company Secretary, regarding compliance of the conditions of Corporate Governance, which is annexed to the Directors' Report.

**11. WADIA BRAND EQUITY & BUSINESS PROMOTION AND SHARED SERVICES AGREEMENT**

The Wadia Group has several companies in diverse sectors like the airlines, food, textiles, chemicals etc. and employs various subject matter experts in areas such as Legal, Finance, Information Technology, Treasury, Taxation, Human Resources, Procurement, Risk Management etc. With a view to maximizing the efficiency and effectiveness of these specialized resources, a formal structure has been created under Nowrosjee Wadia & Sons Limited (NWS) to serve the common interests of all the Group Companies. The combined skills, knowledge and expertise of this structure will benefit all the Group Companies availing of this arrangement.

In order to formalize this structure of common services and avail of the standing of the Wadia Group Brand, the Board of your Company, during the year, approved an Agreement between NWS and your Company to enter into the 'WADIA Brand Equity & Business Promotion and Shared Services Scheme.'

**12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

As required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are annexed as Annexure A.

**13. CLIMATE CHANGE AND GREENHOUSE GAS EMISSIONS**

The details on climate change and greenhouse gas emissions are annexed as Annexure B.

**14. CORPORATE SOCIAL RESPONSIBILITY**

The Company along with Rotary Club of Mumbai Shivaji Park and Larsen & Toubro Limited's Medical Centre conducted a Medical Check-up Camp for 550 children and a Health Education Camp at Bhanuben Pravin Shah Secondary & Higher Secondary School of Yusuf Meherally Centre, Tara Village, Taluka Panvel, District Raighad, under Rotary International's Global Grant Project 25116.

The Company also conducted a Career Guidance Vocational Training Programme for Tribal Children for students preparing for Standard X and XII Board Examinations.

**15. SUBSIDIARY COMPANY**

As required under Section 212 of the Companies Act, 1956, the accounts of Naperol Investments Limited, wholly-owned subsidiary of the Company, are appended.

**16. CONSOLIDATED FINANCIAL STATEMENTS**

As required by Accounting Standard 21, 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, the audited Consolidated Financial Statements are annexed.

**17. PARTICULARS OF EMPLOYEES**

The information in terms of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, which forms part of this Report, is appended.

**18. AUDITORS**

Members are requested to appoint M/s. S. B. Billimoria & Co., Chartered Accountants, as Auditors for the current year at remuneration to be fixed by the Board of Directors.

**19. COST AUDITORS**

The Company had appointed Mr. Hemant Shah, Cost Accountant, as the Cost Auditors to carry out the audit of the cost accounts of the Company relating to industrial gases for the financial year ended on 31st March, 2012. The Cost Audit Report for 2010-11 was filed on 30th August, 2011, before the due date of 27th September, 2011.

**20. ACKNOWLEDGEMENTS**

Your Directors would like to express their sincere appreciation to the Customers, Vendors, Bankers, Shareholders, Central and State Governments and Regulatory Authorities for their continued co-operation and support.

Your Directors also take this opportunity to acknowledge the dedicated efforts made by employees for their contribution to the success achieved by the Company.

On behalf of the Board of Directors

NESS N. WADIA
*Chairman*

*Registered Office:*

Neville House,
J. N. Heredia Marg,
Ballard Estate,
Mumbai - 400 001.

*Mumbai, 14th May, 2012*

*ANNEXURE – A*

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

## A. CONSERVATION OF ENERGY

(a) Measures Taken :

Several measures for conservation of energy were undertaken during the year. Some of the key measures are highlighted as under:

- Replaced old process air compressor motor with new high efficiency motor.
- Replaced old instrument air compressor motor with new high efficiency motor.
- Replaced 6 old window air conditioner units with 3 star rating machines.
- Replaced old hydrogenation feed pumps with new energy efficient pumps.
- Replaced old HT cooling water pump & motor with energy efficient pump and motor.
- Installed new energy efficient cooling tower, cooling fans, fan motors, VFD units and operating fans in close loop with VFD as per set cooling water temperature of return header.
- Replacement of insulation of pipe lines & equipments during expansion.
- Installation of energy efficient pumps & motors during expansion.
- Installation of new boiler with economizer for dual fuel feed operation and operating with Natural Gas as fuel feed for cost effective operation.

These measures, along with the measures taken during the last year, have resulted in significant reduction in energy consumption. In addition, leakages of solvents were significantly reduced by close monitoring.

(b) Additional Investments & Improvements: Total expenditure of ₹ 19.20 lac was incurred during the year on various energy conservation measures.

(c) Impact of (a) and (b):

Results from various measures taken were seen by way of reduced power consumption during the year.

(d) Total energy consumption & energy consumption per unit of production:

### FORM A

A. POWER AND FUEL CONSUMPTION

| | 2011-12 | *2010-11* |
|---|---|---|
| 1. **Electricity** | | |
| a. Purchased: | | |
| Units (KWH) | 2,31,92,200 | *2,74,33,200* |
| Total Amount (₹ lac) | 1,518.71 | *1,518.70* |
| Rate/Unit (₹/KWH) | 6.55 | *5.54* |
| b. Own Generation: | | |
| Through diesel generator Units (KWH) | 25,920 | *27,400* |
| Units/litre of diesel oil (KWH) | 2.88 | *2.91* |
| Cost of diesel/Unit (₹/KWH) | 14.52 | *13.67* |
| Through steam turbine/generator | Not Applicable | *Not Applicable* |
| 2. **Coal** | Not Applicable | *Not Applicable* |
| 3a. **Furnace Oil** | | |
| Quantity (MT) | 28.47 | *85.20* |
| Total amount (₹ lac) | 9.17 | *22.73* |
| Average rate (₹/MT) | 32,246.39 | *26,686.18* |
| 3b. **Natural Gas** | | |
| Quantity (MMBTU) | 79,715.00 | *92,598.00* |
| Total amount (₹ lac) | 416.05 | *351.87* |
| Average rate (₹/MMBTU) | 521.92 | *380.00* |
| 4. **Other/Internal Generation** | Not Applicable | *Not Applicable* |

B. CONSUMPTION PER UNIT OF PRODUCTION

| | | 2011-12 | 2010-11 |
|---|---|---|---|
| 1. | Electricity (KWH/MT) | 375.14 | *369.61* |
| 2a. | Furnace Oil (KG/MT) | 0.49 | *1.18* |
| 2b. | Natural Gas (MMBTU/MT) | 1.35 | *1.25* |

The boiler was operated for part of the year on Furnace Oil and part on Natural Gas. The consumption for each fuel is calculated on annual production. The equivalent fuel oil specific consumption on gross calorific value basis for 2010-11 & 2011-12 works out to 31.86 KG of Fuel Oil/MT & 33.46 KG of Fuel Oil/MT, respectively.

The power consumption for 2011-12 is higher due to non productive consumption of power after expansion shutdown due to startup & stabilisation activities.

## B. TECHNOLOGY ABSORPTION

**FORM B**

### I. Research and Development

**1. Specific Areas:**

Our developmental efforts consisted of the following:

The plant was expanded from 68,000 MTPA (name plate capacity) to 84,000 MTPA as a result of the Company's in-house efforts. Details of the execution are as follows:

(a) Process design of equipment of Hydrogen Peroxide Plant, keeping in view operating experience and energy conservation.

(b) Process improvements in Hydrogen Peroxide and Sodium Perborate manufacturing.

(c) Improvement of water treatment process for $H_2O_2$ process by installation of RO Plant.

(d) Improvement of effluent treatment process by installation of TMF & RO Plant.

**2. Benefits Derived:**

(a) Cost effective expansion carried out.

(b) Higher productivity from the plant.

(c) Improvement in Chemistry & Productivity of Working Solution.

(d) Better control of effluent quality & better utilization of existing assets for higher loads.

**3. Plan of Action:**

During the next few years, our thrust will be primarily on:

(a) Developing process design and carrying out engineering for Phase III expansion of Hydrogen Plant & Hydrogen Peroxide Plant to 95,000 MTPA.

(b) Process modifications to reduce the cost of manufacture and yield.

(c) Recycling of treated effluent as makeup for cooling tower.

(d) Reduction in water usage & chemical usage in water treatment plant by replacing conventional demineralisation.

(e) Implementation & streamlining of IMS system comprising of QMS system 9001:2008, EMS 14001:2004, OSHAS 18001:2007, EnMS 50001:2011, GHG 14064-1 & Responsive Care.

**4. Expenditure on R&D:**

| | | |
|---|---|---|
| Capital expenditure | : | NIL |
| Recurring expenditure | : | NIL |
| Total expenses | : | NIL |
| Total as % of turnover | : | NIL |

### II. Technology Absorption, Adaptation and Innovation

**1. Efforts Made:**

(a) Process Design of equipments for expansion of Hydrogen & Hydrogen Peroxide Plant;

(b) Improvement in Effluent Treatment Plant;

(c) Installation of APC system for Plant;

(d) Stabilization of Exa OPC system for Plant;

(e) Stabilization of Cooling Tower operations using 3D Trasar system.

**2. Benefits Derived:**

(a) In-house designing of project & training of manpower for technology & projects;

(b) Reduction in effluent load to overcome locational issues;

(c) Optimum efficiency of heat exchanger.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

**(a) Activities relating to Exports:**

During 2011–12, the Company exported 21.6 MT of Hydrogen Peroxide.

**(b) Total Foreign Exchange used and earned:**

| | | |
|---|---|---|
| Export Sales (FOB) | : | ₹ 4.84 lac |
| Foreign exchange outgo (includes raw materials, spare parts, capital goods and other expenditure in foreign currency including dividends) | : | ₹ 969.76 lac |

On behalf of the Board of Directors

NESS N. WADIA
*Chairman*

*Mumbai, 14th May, 2012*

***ANNEXURE – B***

**CLIMATE CHANGE AND GREENHOUSE GAS EMISSIONS**

The United Nations Climate Change Conference, Durban 2011, delivered a breakthrough on the international community's response to climate change. In the second largest meeting of its kind, the negotiations advanced, in a balanced fashion, the implementation of the Convention and the Kyoto Protocol, the Bali Action Plan, and the Cancun Agreements. The outcomes included a decision by Parties to adopt a universal legal agreement on climate change as soon as possible, and no later than 2015. The President of COP17/CMP7, Maite Nkoana-Mashabane said: "What we have achieved in Durban will play a central role in saving tomorrow, today."

The 'Bridging the Emissions Gap' report, coordinated by the UN Environment Programme (UNEP) with climate modeling centres across the globe, underlined in the run-up to Durban that the best available science indicates that greenhouse gas emissions need to peak before 2020. It also underlined that annual global emissions need to be around 44 Gt of $C0_2$ equivalent by around that date in order to have a running chance of achieving a trajectory that halves those emissions by 2050 below 2005 levels.

The report also concluded that bridging the divide is economically and technologically do-able if nations raise their emission reduction ambitions and adopt more stringent low-carbon policies across countries and sectors. The key question of the Durban outcome is whether what has been decided will match the science and lead to a peaking of global emissions before 2020 to maintain the world on a path to keep a temperature increase below 2° Celsius.

The European Union and several other countries agreed to continue the Kyoto Protocol beyond 2012 if other governments, including major emitters from developed and developing ones, agreed to negotiate a new legally binding treaty with deeper emission reductions by 2015 to come into force afterwards. The continuation of the Kyoto Protocol during this new negotiation phase means the provisions of this existing emission reduction treaty, ranging from emissions trading to the Clean Development Mechanism, will also continue providing some benefit to the climate and the ambitions of developing economies over the near term.

In India, the National Plan on Climate Change was released by the Honourable Prime Minister in June 2008. This Action Plan outlines Eight Missions including National Mission on Enhanced Energy Efficiency (NMEEE). Under this mission a market mechanism namely Perform, Achieve & Trade is being created. The said scheme has been notified on 30th March, 2012. This mechanism is presently applicable to 478 Designated Consumers (DC) under the Energy Conservation Act, 2001. At present from the Chemical industry, only Chlor Alkali and Fertilizer industries are covered. The targets for designated consumers are to be achieved in a 3 year period (i.e. from F.Y. 2012-13 to F.Y. 2014-15). However, being a forward looking Company, your Company has been working on its own to meet the national goals on a voluntary basis.

The climate change policy of the Company is based on:

- Continuing to improve energy efficiency in all operations;
- Improving the operations wherever practicable by implementing best practice technologies to reduce greenhouse gas emissions;
- Using alternate fuels of low carbon contents wherever practicable.

During 2011-12, the Company continued to carry out the accounting of its Greenhouse Gas (GHG) emissions, also known as carbon foot print i.e. assessment and inventorization of GHG emissions. The project boundary was limited to the Company's plant at Kalyan. The GHG emissions of the Company are given below:

| SCOPE | FY 10-11 | | | FY 11-12 | | |
|---|---|---|---|---|---|---|
| | (TON $CO_2$/YEAR) | | | (TON $CO_2$/YEAR) | | |
| | H2 Plant | AO Plant | Total | H2 Plant | AO Plant | Total |
| 1 | 25,580 | 5,294 | 30,874 | 21,858 | 4,412 | 26,270 |
| 2 | 1,750 | 20,253 | 22,003 | 1,519 | 17,125 | 18,644 |
| 3 | 216 | 7,035 | 7,251 | 197 | 6,045 | 6,242 |
| Total | 27,546 | 32,582 | 60,128 | 23,574 | 27,582 | 51,156 |
| For Hydrogen Filling | 3,338 | — | 3,338 | 2,954 | — | 2,954 |
| For AO Plant | 24,208 | 32,582 | **56,790** | 20,620 | 27,582 | **48,202** |

| PRODUCTION | FY 10-11 | FY 11-12 |
|---|---|---|
| $H_2O_2$ (50%) | 72,140 MT | 57,868 MT |
| $H_2$ Gas | 29.08 Million $NM^3$ | 22.92 Million $NM^3$ |
| GHG Intensity of $H_2O_2$ (50%) | 787 Kg/MT | 833 Kg/MT* |

* The increased intensity is due to the 84 KTPA Expansion Project completed during 2011-12 and stabilization of Plant Operations. GHG intensity works out to 803 Kg/MT, if worked out excluding the major unproductive components like Electricity and Natural Gas.

Out of GHG intensity of 833 Kg/MT of $H_2O_2$ in 2011-12, 42.78% is accounted by Hydrogen Gas production alone. However, benchmarking of GHG intensity for Hydrogen Peroxide is not possible due to non-availability of data of other producers. In case of some of the Hydrogen Peroxide plants, Hydrogen is available as a by-product from Caustic-Chlorine plants. Hence the Company has separated its GHG emissions for Hydrogen and Hydrogen Peroxide production.

**Emission Reductions Target and Abatement Measures**

The various Energy Conservation Measures have resulted in reduction of $CO_2$ Emission as detailed below:-

| Sr. No. | Scheme Implemented | $CO_2$ Emission Reduction (MT) | $CO_2$ Emission Reduction (Kg/MT) |
|---|---|---|---|
| 1 | Replacement of old Process Air Compressor Motor 65/5 with new high efficiency Motor. | 96.00 | 1.66 |
| 2 | Replacement of old Instrument Air Compressor Motor 183/5 with new high efficiency Motor. | 25.60 | 0.44 |
| 3 | Replacement of 6 old window Air Conditioners with 3-star rating Units | 25.60 | 0.44 |
| 4 | Replacement of old Hydrogenation Feed Pumps 47/A & 47/B with new Energy Efficient Pumps. | 25.60 | 0.44 |
| 5 | Replacement of old HT Cooling Water Pump & Motor with Energy Efficient Pump and Motor. | 89.60 | 1.55 |
| 6 | Installation of new Energy efficient Cooling Tower, Cooling Fans, Fan Motors, VFD units and operating fans in close loop with VFD as per set Cooling water temperature of return header. | 115.20 | 1.99 |

**Ozone Depleting Substances (ODS) and SOx, NOx Emissions**

To reduce NOx emissions, low NOx New Viessmann Steam Boiler with dual fired Burners have been installed with Natural Gas in the Utility.

SOx emissions have been reduced by changing over the fuel in Boiler from Furnace Oil to Natural Gas.

*Mumbai, 14th May, 2012*

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

## INDUSTRY STRUCTURE AND DEVELOPMENTS

There are currently four companies which manufacture Hydrogen Peroxide in India. National Peroxide Limited continues to be the largest producer of Hydrogen Peroxide in the country with a market share of 40%. In addition to being well known in the industry as a pioneer, its product commands a strong brand image. It has been in the forefront in the development of technology for manufacture of Hydrogen Peroxide, as well as new applications development. Due to these efforts, the domestic market has significantly developed over the years.

The Company's project to expand its capacity to 84,000 MTPA was commissioned in September 2011. A competitor's additional capacity of 28,000 MTPA also came on stream in June 2011. The total production capacity in the Country, during 2011-12, is now at 2,02,000 MTPA on an annualized basis. The domestic demand is expected to grow by 5% p.a. during 2012-13. This will result in the domestic demand being fully met from local producers.

## OPPORTUNITIES AND THREATS

***A Key Raw Material - Natural Gas - an input for production of Hydrogen Gas***

The demand for Natural Gas in India is growing rapidly. Data with the Directorate General of Hydrocarbons (DGH) says that the country's demand for Natural Gas will expand from 253.40 mmscmd (million metric standard cubic meters per day) in 2011-12 to 306.40 mmscmd in 2012-13 and 381 mmscmd in 2014. On the other hand, the domestic output is expected to decline from 146 mmscmd in 2011 to 133 mmscmd in 2012 and further to 119 mmscmd in 2013. Thereafter, the gas output is expected to increase due to new fields. As a result, import of Natural Gas in the form of LNG cannot be avoided.

In India, the supply of Natural Gas from KG Basin was expected to meet the requirement of the Fertilizer and Power Sectors. However, the output from the KG Basin has been continuously falling.

Currently, India imports 37 mmscmd of LNG through LNG Terminals at Dahej and Hazira operated by Petronet LNG and Shell Total. Two other LNG Terminals are under construction at Kochi in Kerala and Dabhol in Maharashtra. The linkage of LNG to Crude is at a higher premium as compared to the one for Dahej.

However, there is a significant change in the gas supply situation in the United States where due to shale gas, prices have dropped to very low levels. On the other hand, 48 of the 52 nuclear power plants in Japan have been shut down, since the Fukushima nuclear tragedy in March 2011, leading to higher prices in the Asia Pacific Region.

Due to significant changes in the new supply sources, the pricing situation is expected to become extremely fluid.

The price of crude oil increased at the end of the year due to fears of blockade of Strait of Hormuz by Iran and consequently lower availability. The price of crude oil is expected to be volatile due to small gap between demand and supply. The volatility in crude oil price will impact the cost of Natural Gas to a lower extent based on the linkage formula for our supplies.

Natural Gas which became available to the Company from January 2010, was procured on a long term contract basis. Although, the price of this gas will become fully variable with Japanese Crude Cocktail from January 2014 onwards leading to higher prices, the said contract provides a stable pricing scenario as far as the Company is concerned. This together with a high capacity utilization will improve the Company's competitiveness vis-à-vis other Domestic producers as well as international producers.

***A Key Customer for Hydrogen Peroxide - Paper Industry***

The growth of various segments of the paper industry is linked to the level of economic activity - higher industrial output drives the demand for industrial paper for packaging, increased marketing spends benefit the newsprint and value added segments, and the growth in education and other activities increase the demand for writing and printing paper. As a result of lower economic growth expected in 2012-13, the demand for writing and printing paper will be moderate. However, low per Capita Consumption in India as compared to the world average will drive the demand for paper over the medium term. Growth in newsprint volumes is likely to be met from Canada and Russia as domestic production has stagnated in the past 4 years.

Currently, the recovery of waste paper used as a raw material in India is very poor and is estimated at 2%. ITC Ltd. has been making efforts to institutionalize the waste paper collection. If this can be pursued as a national effort, then some improvement in the long term in the availability of waste paper is likely and is certainly a great opportunity. It will also reduce the volatility of waste paper prices. Recycling in general will be an important aspect of the Country's XIIth Five Year Plan.

The paper industry has been affected due to high operating costs as a result of high cost of waste paper and coal. Due to the pricing pressure, the growth of paper production in India is expected to be moderate. Currently, only two paper mills, Tamil Nadu News Print Limited and J.K. Paper Mills are expanding their capacities. On the other hand, many of the waste paper based mills, particularly in the North, are limping.

***Emerging Customer for Hydrogen Peroxide - Environmental Applications***

The concern for Environment has also resulted in the use of Hydrogen Peroxide, known as "MR. CLEAN" for environmental application as it leaves environmental friendly residues. Your Company is of the opinion that, in the long term, the Hydrogen Peroxide market will continue to grow. Further, with Hydrogen Gas, our raw material, being seen as the fuel of the future, Hydrogen Peroxide will remain attractive as a product as well.

## OUTLOOK

The outlook for the industry in the near term can only be viewed with cautious optimism due to the surplus capacity in Thailand, Pakistan and Bangladesh. A mega plant was commissioned in Thailand in 2011 by Solvay and is expected to increase the availability from Thailand which has a limited domestic demand. On the other hand, the domestic availability has improved as a result of increased capacity of the Company and the new Plant set up by a Competitor. This will put pressure on the Hydrogen Peroxide prices in the coming years.

Cotton prices have now come down and are expected to improve the fortunes of the domestic Textile industry. This will result in improved demand for Hydrogen Peroxide.

The subsidized supply of Natural Gas in the neighbouring countries has created distortions in the cost structure of the industry. This coupled with lower logistics costs, due to the proximity to the customers, makes imports feasible particularly in the North. This will result in impacting the demand for the domestic producers.

Implementation of Goods and Service Tax (GST) has been deferred and it is not certain when it will be implemented. The state of Maharashtra still continues to levy local taxes such as octroi, thereby increasing the cost of production. It is expected that in the near future, if GST is implemented and octroi consequently withdrawn, the Company's cost of production will reduce.

Your Company views the outlook of the business with cautious optimism.

## RISKS AND CONCERNS

The current level of inflation in the country, lower rate of GDP growth as well as the current account deficit is a matter of serious concern. Although the Reserve Bank of India has started the process of reducing interest rates, high cost of borrowing is detrimental to industrial growth and will impact the growth in the demand of our products.

India has signed Free Trade Agreements with a number of countries. This allows imports from these countries at a lower rate of customs duty, which has led to a problem of inverted duty structure as some of our raw materials and feedstock are imported at a higher rate of customs duty.

The economic situation in Europe continues to be a cause of concern as this has seriously impacted the demand for the Textile industry.

Although, some improvement has been seen on the environmental front, particularly in Tirupur, due to setting up of zero discharge facilities, the market for the textile industry will be impacted.

## INTERNAL CONTROLS

The Company has a system of Internal Controls to ensure that all its assets are properly safeguarded and not exposed to risks arising out of unauthorized use or disposal. The Internal Control system is supplemented by a programme of Internal Audits to ensure that the assets are properly accounted for and the business operations are conducted to adhere to laid down policies and procedures.

The Company has an Audit Committee of the Board of Directors which meets regularly to review, inter alia, risk management policies, adequacies of internal controls and the audit findings on the various segments of the business.

The Company carried out periodic review of the Risk Management framework during the year, as per the requirements of Clause 49 of the Listing Agreement with BSE Ltd.

## FINANCIAL PERFORMANCE

Discussion on financial performance with reference to operational performance has been dealt with in the Directors' Report which should be treated as forming part of this Management Discussion and Analysis Report.

## HUMAN RESOURCES

Peace and harmony between employer and employees prevailed during the year. Relations with the Union continued to be cordial.

In order to optimize the contribution of the employees to the Company's business, several training and development programmes for employees at all levels have been conducted. Occupational Health, Safety and Environment Management are given utmost importance. Emphasis was placed on in-house technical training of the employees to upgrade their operating skills. Integrated Management System consisting of ISO-9001:2008 & OHSAS-18001-2007 ISO 50001:2011 is under implementation. This is expected to foster improvement in the team work within the Company.

The employee strength on the permanent rolls of the Company was 119, as on 31st March, 2012.

## RESOURCES AND LIQUIDITY

The Company did not have any long term borrowing as on 31st March, 2012.

The Company has invested ₹ 2,771 Lacs as on 31st March, 2012.

The Company finances its working capital requirements by sourcing Credit lines placed at its disposal by a consortium of banks led by State Bank of India. The Company's net current assets as on 31st March, 2012 were ₹ 4,879 lacs.

## CAUTIONARY STATEMENT:

*Statements in this Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.*

*Mumbai, 14th May, 2012*

## INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2012

| | Name | Designation/ Nature of Duties | Remuneration received (₹) | Qualifications | Experience (Years) | Date of commencement of Employment | Age (Years) | Last Employment held before joining the Company and the period |
|---|---|---|---|---|---|---|---|---|
| (A) | EMPLOYED THROUGHOUT THE YEAR AND WERE IN RECEIPT OF REMUNERATION IN AGGREGATE OF NOT LESS THAN ₹ 60,00,000/-. | | | | | | | |
| | Lohokare S. R. | Managing Director | 1,65,32,063 | B.Tech. (Hons.) (Chemical Engg.); P.G.D.I.M.; M.F.M. (Bombay University) | 39 | 29.04.97 | 61 | Vice-President (Nitrite & SDC), Deepak Nitrite Ltd. (4 Years) |
| (B) | EMPLOYED FOR PART OF THE YEAR AND WERE IN RECEIPT OF REMUNERATION AT THE RATE OF NOT LESS THAN ₹ 5,00,000/- PER MONTH. | | | | | | | |
| | — NIL — | | | | | | | |

Notes:

(1) Nature of employment, whether contractual or otherwise:

The appointment is terminable by three months' notice on either side.

(2) Gross remuneration comprises salary, allowances, monetary value of perquisites, the Company's contributions to Provident and Superannuation funds but excludes contribution to Gratuity Fund on the basis of actuarial valuation as separate figures are not available.

(3) Relatives of Directors : The above employee is not a relative of any Director of the Company.

On behalf of the Board of Directors

NESS N. WADIA
*Chairman*

*Mumbai, 14th May, 2012*

# REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 to the Listing Agreement, a report on Corporate Governance, for the year ended 31st March, 2012, is given below:

## 1. Company's Philosophy on Code of Governance:

Your Company is committed to bring about good corporate governance practices. It strongly believes in attaining transparency, accountability and equity, in all its operations, and in its interactions with stakeholders including shareholders, customers, vendors, employees, government and lenders.

## 2. Board of Directors

### (a) Composition of the Board:

The Board of Directors is headed by a Non-Executive Chairman, Mr. Ness N. Wadia who is not a promoter of the Company and but related to the promoters of the Company. The Board is composed of committed and eminent persons with considerable professional experience in varied fields and comprises a majority of Non-Executive Directors. The composition of the Board of Directors meets the requirement of Clause 49-I(A) of the Listing Agreement, as detailed in the table at item 2(c) below.

### (b) Board Meetings and AGM:

Five Board Meetings were held during the year under review. The dates on which the meetings were held are: 27th April, 2011; 8th August, 2011; 11th November, 2011; 8th February, 2012 and 29th March, 2012. The AGM was held on 8th August, 2011.

### (c) Directors' Attendance Record and Directorships held:

| Director | Whether Promoter, Executive, Non-Executive, Independent Non-Executive, Nominee | Number of Board Meetings attended | Whether attended last AGM | No. of other Directorships held # | No. of Board Committees of other Companies in which a Member or a Chairman* |
|---|---|---|---|---|---|
| Mr. Ness N. Wadia | Chairman, Non-Executive | 5 | Yes | 8 | Nil |
| Mr. P. V. Kuppuswamy | Non-Executive | 5 | Yes | 1 | Nil |
| Mr. K. N. Suntook | Independent, Non-Executive | 4 | Yes | 2 | 1 |
| Mr. R. N. Sethna (a) | Independent, Non-Executive | 2 | Yes | — | — |
| Mr. Rajesh Batra | Independent, Non-Executive | 4 | Yes | 4 | 1 (Chairman of 1) |
| Mr. J. S. Bilimoria | Independent, Non-Executive | 4 | Yes | 9 | 7 (Chairman of 4) |
| Mr. D. N. Mehta | Non-Executive | 5 | Yes | 5 | 1 |
| Mr. N. P. Ghanekar (b) | Independent, Non-Executive | 5 | Yes | 2 | 1 |
| Mr. S. R. Lohokare | Executive, Managing Director | 5 | Yes | 1 | Nil |

# Excludes alternate directorship and directorship in foreign companies and private companies which are neither a subsidiary nor a holding company of a public company.

* Excludes committees other than Audit Committee & Shareholders'/Investors' Grievance Committee and Companies other than public limited companies.

Notes:

(a) Mr. R. N. Sethna, an Independent Non-Executive Director, retired by rotation at the last AGM held on 8th August, 2011, and did not seek re-appointment. Accordingly, his Directorship & Membership of Board Committees of other Companies are taken as on that date.

(b) Mr. N. P. Ghanekar, an Independent Non-Executive Director, was appointed w.e.f. 27th April, 2011.

## 3. Board Committees:

### (a) Audit Committee:

The Audit Committee comprises of the following Non–Executive Directors, majority of whom are Independent Directors. During the year under review, the Committee met four times, i.e. on 27th April, 2011; 8th August, 2011; 11th November, 2011 and 8th February, 2012. Details of attendance of each member are as follows:

| Sr. Nos. | Name | Number of Audit Committee Meetings attended |
|---|---|---|
| 1 | Mr. J. S. Bilimoria – Chairman | 3 |
| 2 | Mr. R. N. Sethna (upto August 8, 2011) | 2 |
| 3 | Mr. P. V. Kuppuswamy | 4 |
| 4 | Mr. K. N. Suntook | 3 |
| 5 | Mr. Rajesh Batra | 3 |
| 6 | Mr. D. N. Mehta | 4 |
| 7 | Mr. N. P. Ghanekar (w.e.f. April 27, 2011) | 3 |

The role and terms of reference of the Audit Committee include review of Internal Audit Reports and the Statutory Auditors' Report on the financial statements, general interaction with the Internal Auditors and Statutory Auditors, selection and establishment of accounting policies, review of financial statements, both quarterly and annual, before submission to the Board, review of Management Discussion and Analysis of financial condition and results of operations and review of performance of statutory and internal auditors and adequacy of internal control systems and other matters specified under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

**(b) Remuneration Committee:**

The Remuneration Committee comprises of the following Non-Executive Directors, majority of whom are Independent Directors. During the year under review, the Committee met once on 8th August, 2011. Details of attendance of each member are as follows:

| Sr. Nos. | Name | Number of Remuneration Committee Meeting attended |
|---|---|---|
| 1 | Mr. K. N. Suntook – Chairman | 1 |
| 2 | Mr. P. V. Kuppuswamy | 1 |
| 3 | Mr. R. N. Sethna (upto August 8, 2011) | 1 |
| 4 | Mr. Rajesh Batra | 1 |
| 5 | Mr. N. P. Ghanekar (w.e.f. April 27, 2011) | 1 |

Broad terms of reference of the Remuneration Committee include approval/recommendation to the Board regarding salary/ perquisites, commission and retirement benefits, finalization of the perquisite package payable to the Company's Managing/ Whole-time Director/s and other matters specified under Clause 49 of the Listing Agreement and Schedule XIII of the Companies Act, 1956.

**Remuneration Policy:**

Payment of remuneration to the Managing Director is governed by the agreement executed between him and the Company. The Board and the shareholders have approved the agreement. The remuneration structure comprises salary, incentive allowance, commission linked to profits, perquisites and allowance, contribution to provident fund, superannuation and annuity funds. The Non-Executive Directors do not draw any remuneration from the Company other than sitting fees and such commission as may be determined by the Board from time to time.

A. Details of remuneration paid to the Managing Director during the year 2011–12 are given below:

(Amount in ₹)

| Name | Salary | Benefits * | Commission/Incentive # | Total |
|---|---|---|---|---|
| S. R. Lohokare | 48,18,750 | 53,03,938 | 64,09,375 | 1,65,32,063 |

* Also includes Company's contribution to Provident and Superannuation Funds, amounting to ₹ 19,51,593/-.

# Shown on the basis of year of payment and includes Commission of ₹ 40,00,000/- paid for 2010-11.

Notes: (a) The Agreement with the Managing Director is valid for a period of 5 years w.e.f. 1st May, 2008. Either party to the Agreement is entitled to terminate the Agreement by giving not less than 3 calendar months' notice in writing to other party, provided however that the Company shall be entitled to terminate the employment of the Managing Director at any time, by payment to him of 3 months' salary in lieu of such notice.

(b) Presently the Company does not have a scheme for grant of stock options either to the Executive Director/s or to the employees.

B. Details of payment made to Non-Executive Directors during the year 2011–12 and their shareholding in the Company, as on 31st March, 2012, are given below:

(Amount in ₹)

| Directors | Sitting Fees | | Commission # | Total | Total no. of shares held |
|---|---|---|---|---|---|
| | Board Meetings | Committee Meetings | | | |
| Mr. Ness N. Wadia | 80,000 | 0 | 40,00,000 | 40,80,000 | 0 |
| Mr. P. V. Kuppuswamy | 80,000 | 70,500 | 10,00,000 | 11,50,500 | 750 |
| Mr. K. N. Suntook | 60,000 | 50,000 | 4,00,000 | 5,10,000 | 0 |
| Mr. R. N. Sethna * | 20,000 | 30,000 | 2,00,000 | 2,50,000 | 0 |
| Mr. Rajesh Batra | 60,000 | 50,500 | 2,00,000 | 3,10,500 | 0 |
| Mr. J. S. Bilimoria | 70,000 | 60,000 | 3,50,000 | 4,80,000 | 0 |
| Mr. D. N. Mehta | 80,000 | 70,000 | 3,50,000 | 5,00,000 | 0 |
| Mr. N. P. Ghanekar | 80,000 | 70,000 | 0 | 1,50,000 | 0 |
| Total: | 5,30,000 | 4,01,000 | 65,00,000 | 74,31,000 | 750 |

# Shown on the basis of year of payment

* Retired by rotation w.e.f. 8th August, 2011

During 2011–12, a provision of ₹ 38.79 lacs is made in the books of accounts, for payment of commission to Non-Executive Directors, under Section 309 of the Companies Act, 1956. The individual amounts will be shown in the year of payment.

The distribution of the commission amongst the Non-Executive Directors is determined by the Board and is broadly based on attendance, contribution at the Board Meetings and various Committee Meetings as well as time spent on operational matters other than at the aforesaid meetings.

The Company did not have any pecuniary relationship or transactions with the Non-Executive Directors during 2011–12.

**(c) Shareholders'/Investors' Grievance Committee:**

This Committee comprises of the following Directors:

Mr. P. V. Kuppuswamy - Chairman

Mr. S. R. Lohokare

Mr. Rajesh Batra

The Chairman of the Committee, Mr. P. V. Kuppuswamy, is a Non-Executive Director.

The constitution and terms of reference of the Shareholders'/ Investors' Grievance Committee are in agreement with the guidelines prescribed under Clause 49 of the Listing Agreement entered into with the Bombay Stock Exchange Limited. The Committee specifically looks into the redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.

During the year, the Committee met once.

**Name and designation of Compliance Officer:**

Mr. Satish Gaikwad, Company Secretary

| | | |
|---|---|---|
| No. of shareholders' complaints received during the year | : | 3 |
| No. of complaints not solved to the satisfaction of shareholders | : | Nil |
| No. of pending complaints | : | Nil |

**(d) Finance Committee:**

This Committee comprises of the following Directors:

Mr. N. P. Ghanekar - Chairman

Mr. K. N. Suntook

Mr. J. S. Bilimoria

Mr. D. N. Mehta

The Chairman of the Committee, Mr. N. P. Ghanekar, is a Non-Executive Independent Director.

The terms of reference of the Finance Committee cover (a) Liability Management - to meet the funding requirements of the Company; (b) Foreign Exchange Management; and (c) Investment Management - to deploy short-term/long-term surpluses of the Company. The Committee is also authorized to lend/place ICDs with other Companies.

During the year, the Committee met once on 8th February, 2012.

Communication was also undertaken by way of e-mails and discussions were held, as and when required, among the Committee members and decisions taken in matters coming within the Committee's purview.

**4. General Body Meetings:**

(a) Location and time, where last 3 years' General Meetings were held:

| Date & Time | Location | Special Resolution Passed |
|---|---|---|
| 8th August, 2011<br>04.00 p.m. | M.C. Ghia Hall, Bhogilal Hargovindas Building,<br>2nd Floor, 18/20, Kaikhushru Dubash Marg (Rampart Row),<br>Mumbai - 400 001. | Nil |
| 30th July, 2010<br>04.00 p.m. | Walchand Hirachand Hall (4th Floor), IMC Building, IMC Marg,<br>Churchgate, Mumbai - 400 020 | Payment of Commission to<br>Non-Executive Directors |
| 21st July, 2009<br>04.00 p.m. | M.C. Ghia Hall, Bhogilal Hargovindas Building,<br>2nd Floor, 18/20, Kaikhushru Dubash Marg (Rampart Row),<br>Mumbai - 400 001. | Nil |

(b) Whether Special Resolutions were passed through postal ballot last year and details of voting pattern : Nil

(c) Person who conducted the postal ballot exercise : Not Applicable

(d) Whether any Special Resolution is proposed to be passed through postal ballot this year (2012-13):

During the current year, if Special Resolutions are proposed to be passed through postal ballot, those will be taken up at the appropriate time.

(e) Procedure for Postal Ballot:

The procedure for conducting the postal ballot exercise would be as per the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 read with Section 192A of the Companies Act, 1956.

**5. Other Disclosures:**

**(a) Related Party Transactions**

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large:

None of the transactions with any of the related parties were in conflict with the interest of the Company at large.

**(b) Disclosure of Accounting Treatment**

In the preparation of financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

**(c) Disclosures on Risk Management**

The Company has laid down procedures to inform the Board of Directors about the Risk Assessment and Minimisation Procedure. These procedures are periodically reviewed by the Board to ensure that executive management controls risk through means of a properly defined framework.

**(d) Code of Conduct**

The Board of Directors has adopted the Code of Ethics and Business Principles for the Non-Executive Directors as also for the employees including Managing Director and other Members of Senior Management. The said Code has been communicated to all the Directors and Members of the Senior Management. The Code has also been posted on the Company's website www.naperol.com.

**(e) Whistle Blower Policy**

The Company has not adopted Whistle Blower Policy. However, the Company does not deny access to any personnel to approach the Management on any issue.

**(f)** Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years : None

**6. CEO/CFO Certification**

A certificate from Managing Director and General Manager – Finance, on the financial statements of the Company was placed before the Board, as required by Clause 49(V) of the Listing Agreement.

**7. Means of Communication:**

(a) Quarterly Results :

The unaudited quarterly results are announced within 45 days from the end of the quarter and the audited annual results within 60 days from the end of the last quarter, as stipulated under the Listing Agreement with the Bombay Stock Exchange Limited.

(b) Newspapers wherein results normally published:
Business Standard (English) and Mumbai Lakshadeep (Marathi, the regional language).

(c) Any Website, where displayed:
www.naperol.com and www.bseindia.com

(d) Whether Website also displays official news releases : No

(e) Whether presentations made to institutional investors or to the analysts : No

(f) Management Discussion & Analysis Report:
The Management Discussion & Analysis Report forms part of the Annual Report.

**8. General Shareholder Information:**

**(a) AGM:**

Date and Time : 9th August, 2012 at 4.00 p.m.

Venue : Sunville Banquet & Conference Rooms,
9, Dr. Annie Besant Road, Near Worli Flyover,
Worli, Mumbai 400 018

**(b) Financial Year:** The financial year is from 1st April to 31st March.

Tentative Schedule:
Results for quarter ending June 30, 2012 : By 14th August, 2012
Results for quarter ending September 30, 2012 : By 14th November, 2012
Results for quarter ending December 31, 2012 : By 14th February, 2013
Results for year ending March 31, 2013 : By 30th May, 2013
AGM for year ending March 31, 2013 : By 14th August, 2013

**(c) Date of Book Closure** : 27th July, 2012 to 9th August, 2012 (both days inclusive)

**(d) Dividend Payment Date** : On or after 10th August, 2012

**(e) Listing on Stock Exchange** : The Company's shares are listed on the Bombay Stock Exchange Limited (BSE). The Company has paid the applicable listing fees to BSE, up to date.

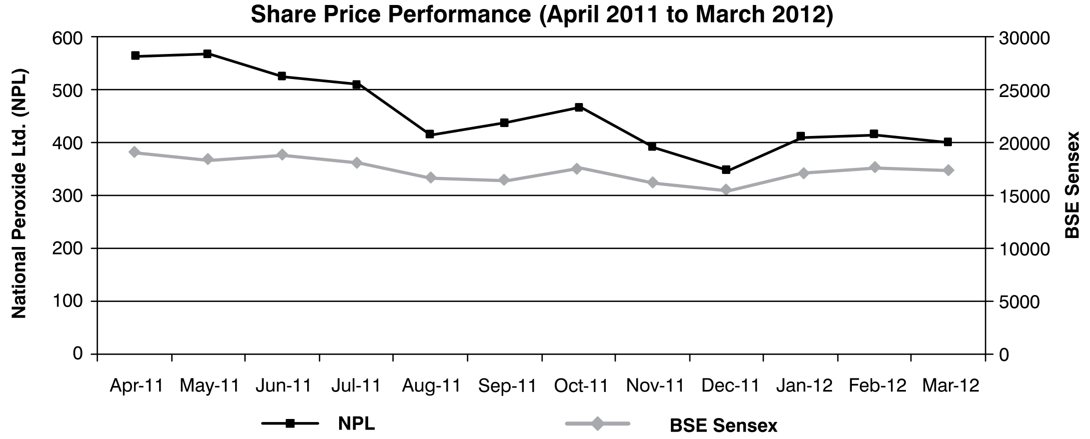
**(f) Stock Code:**
Demat form : 500298
Demat ISIN Number for NSDL & CDSL : INE585A01020
Scrip ID* : NATPEROX
*(on the BSE website – www.bseindia.com)

**(g) Stock Market Data (for face value of ₹ 10/- per share):**

| Month | High (₹) | Low (₹) | No. of Shares | No. of Trades | Net Turnover (₹) |
|---|---|---|---|---|---|
| April 2011 | 688.00 | 506.00 | 3,67,474 | 12,914 | 22,38,81,696 |
| May 2011 | 584.00 | 515.00 | 1,45,935 | 5,902 | 7,90,54,139 |
| June 2011 | 576.00 | 498.00 | 60,842 | 2,964 | 3,28,04,692 |
| July 2011 | 568.90 | 506.10 | 64,215 | 2,703 | 3,46,88,120 |
| August 2011 | 540.00 | 393.00 | 70,381 | 3,202 | 3,07,01,016 |
| September 2011 | 518.45 | 410.00 | 63,219 | 3,181 | 2,95,42,093 |
| October 2011 | 477.90 | 426.00 | 40,120 | 1,669 | 1,79,57,594 |
| November 2011 | 485.00 | 358.75 | 47,064 | 2,311 | 1,99,36,433 |
| December 2011 | 403.00 | 312.00 | 26,557 | 1,403 | 94,21,161 |
| January 2012 | 419.00 | 341.00 | 30,489 | 1,572 | 1,19,56,034 |
| February 2012 | 505.00 | 400.00 | 87,473 | 3,870 | 3,88,75,234 |
| March 2012 | 427.00 | 382.00 | 32,797 | 1,187 | 1,33,22,437 |

Data based on BSE website : URL "http://www.bseindia.com/histdata/stockprc2.asp"

**(h) Stock Performance:**



Data based on BSE Websites: URL "http://www.bseindia.com/histdata/stockprc2test.asp" & URL "http://www.bseindia.com/histdata/hindices2.asp"

**(i) Registrar and Transfer Agents:**

Sharex Dynamic (India) Pvt. Ltd.,
Unit No. 1, Luthra Industrial Premises,
Andheri Kurla Road, Safed Pool,
Andheri (E), Mumbai – 400 072.
Tel: 2851 5644/2851 5606

**(j) Share Transfer System:**

Share transfers in physical form are processed within the prescribed period of 30 days from the date of receipt, in case documents are complete in all respects. 1,475 shares were transferred during the financial year under review through 14 transfers. The Company has authorized certain executives to approve share transfers.

**(k) (i) Distribution of Shareholding as on 31st March, 2012:**

| Group of shares | | | No. of shareholders | No. of shares held | % to total shares |
|---|---|---|---|---|---|
| 1 | to | 50 | 3,367 | 92,607 | 1.61 |
| 51 | to | 100 | 1,166 | 1,02,887 | 1.79 |
| 101 | to | 250 | 3,108 | 4,59,107 | 7.99 |
| 251 | to | 500 | 452 | 1,80,247 | 3.14 |
| 501 | to | 1000 | 255 | 1,96,638 | 3.42 |
| 1001 | to | 5000 | 170 | 3,33,332 | 5.80 |
| 5001 | to | 10000 | 17 | 1,20,405 | 2.10 |
| 10001 | and | above | 17 | 42,61,777 | 74.15 |
| Total: | | | 8,552 | 57,47,000 | 100.00 |

**(ii) Category of Shareholders as on 31st March, 2012:**

| Category | No. of shares held | % to total shares |
|---|---|---|
| Indian Promoters | 25,28,765 | 44.00 |
| Foreign Promoters | 14,99,250 | 26.09 |
| Banks | 825 | 0.01 |
| Mutual Funds | NIL | NIL |
| Private Corporate Bodies | 2,59,682 | 4.52 |
| Indian Public | 14,22,589 | 24.75 |
| NRI/OCB | 25,840 | 0.45 |
| Clearing Members | 10,049 | 0.18 |
| Total: | 57,47,000 | 100.00 |

The Indian Promoter group comprises of Macrofil Investments Ltd., Archway Investments Co. Ltd., Nowrosjee Wadia & Sons Ltd., N. W. Exports Ltd., Ben Nevis Investments Ltd., Varnilam Investments & Trading Co. Ltd., Jehreen Investments Pvt. Ltd., and their holding companies/subsidiaries and associates; Mr. Nusli N. Wadia and his relatives in terms of Section 6 of the Companies Act, 1956. One of the foreign promoters, viz. Solvay S.A., holding 14,42,500 shares (25.10%) is not acting in concert with other Indian/Foreign Promoters.

**(l) Dematerialisation of Shares and Liquidity:**

72% of the outstanding Equity Shares have been dematerialised upto 31st March, 2012. Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f. 28th May, 2001, as per notification issued by the Securities and Exchange Board of India (SEBI). The trading/liquidity details are given at item 8(g) above.

**(m) Share Capital Audit:**

As stipulated by Securities and Exchange Board of India (SEBI), a qualified practising Company Secretary carries out the Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and shares held in physical form as per the register of members vis-à-vis the total issued and listed capital. This audit is carried out every quarter and the report is submitted to the Bombay Stock Exchange Ltd. and is also placed before the Board of Directors.

**(n) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on Equity:**

None

**(o)** In terms of Section 205C of the Companies Act, 1956, read with the Investor Education and Protection Fund (Awareness and Protection of Investor) Rules 2001, the Company has credited during the year ended 31st March, 2012, a sum of ₹ 1,20,510/- to the Investor Education and Protection Fund (IEPF).

**(p)** Plant Location : N.R.C. Road, P.O. Atali, Via Mohone,
Kalyan - 421 102, District Thane, Maharashtra.

**(q) Address for Correspondence:**

| | | |
|---|---|---|
| For Shares held in Physical Form | : | Sharex Dynamic (India) Pvt. Ltd. at the address given at item 8(i) above. |
| For Shares held in Demat Form | : | To the Depository Participant. |
| For any query on Annual Report/ | : | The Company Secretary, |
| Dividend/Investors' Assistance | : | National Peroxide Ltd.,<br>Neville House, J. N. Heredia Road,<br>Ballard Estate, Mumbai 400 001.<br>Ph: 2261 8071; Fax: 2266 5966. |

**(r)** As required in terms of Clause 47(f) of the Listing Agreement, the Company has designated an e-mail ID exclusively for the purpose of registering complaints by investors. The e-mail ID is secretarial@naperol.com.

**9. Non-Mandatory Requirements:**

**(a) Office of the Chairman of the Board:**

The Company partly defrays the secretarial expenses of the Chairman's Office.

**(b) Remuneration Committee:**

As stated earlier, the Board has already set up a Remuneration Committee. Details regarding composition and scope of the Remuneration Committee are given at item 3(b) above.

**(c) Shareholder Rights:**

The Company's half-yearly results are furnished to the Stock Exchange and also published in the newspapers and therefore not sent to the shareholders.

Adoption of other non–mandatory requirements under Clause 49 of the Listing Agreement is being reviewed by the Board from time to time.

*Mumbai, 14th May, 2012*

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**DECLARATION**

As provided under Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited, this is to confirm that all the Members of the Board and the Senior Management have affirmed compliance with the Code of Conduct for the year ended 31st March, 2012.

For NATIONAL PEROXIDE LIMITED

S. R. LOHOKARE
*Managing Director*

*Mumbai, 14th May, 2012*

## CERTIFICATE ON CORPORATE GOVERNANCE

**TO THE MEMBERS OF**
**NATIONAL PEROXIDE LIMITED**

We have examined the compliance of conditions of Corporate Governance by NATIONAL PEROXIDE LIMITED, for the year ended on 31st March, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Bombay Stock Exchange Ltd.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Management, we certify that the Company has substantially complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

For NILESH SHAH & ASSOCIATES
*Company Secretaries*

Nilesh Shah
*Partner (FCS - 4554)*
C.P. No.: 2631

*Mumbai, 14th May, 2012*

# AUDITORS' REPORT

**TO THE MEMBERS OF**
**NATIONAL PEROXIDE LIMITED**

1. We have audited the attached Balance Sheet of NATIONAL PEROXIDE LIMITED ("the Company") as at 31st March, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
   (i) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
   (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
   (iii) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (iv) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
   (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
      (ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2012 taken on record by the Board of Directors, none of the Directors are disqualified as on 31st March, 2012 from being appointed as a Director under Section 274(1) (g) of the Companies Act, 1956.

For S. B. BILLIMORIA & CO.
*Chartered Accountants*
(Registration No. 101496W)

Z. F. Billimoria
*Partner*
Membership No. 42791

*Mumbai, 14th May, 2012*

## ANNEXURE TO THE AUDITORS' REPORT

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

(i) Having regard to the nature of the Company's business/activities/result/transactions etc., clauses (x) regarding accumulated losses and cash losses, (xi) regarding default in repayment of dues to banks, financial institutes and debenture holders, (xii) regarding granting of loans and advances on the basis of securities, (xiii) regarding chit fund, nidhi/ mutual benefit fund/ societies (xiv) regarding dealing or trading in securities, debentures and other investments (xv) regarding guarantees given by the Company, (xvi) regarding application of the term loans, (xviii) regarding preferential allotment of shares, (xix) regarding creation of security for debentures issued and (xx) regarding end use of money raised by public issues, of paragraph 4 of CARO are not applicable to the Company during the year.

(ii) In respect of its fixed assets:

(a) In respect of fixed assets, the Company has maintained proper records showing full particulars including quantitative details and situations in most cases of such assets.

(b) As explained to us, most of the fixed assets were physically verified during the year by the management in accordance with a programme of verification, which provides for physical verification of all the fixed assets at intervals which, in our opinion, are reasonable. According to the information and explanation given to us, no material discrepancies were noted on such verification.

(c) During the year, the Company has not disposed off any substantial/major part of the fixed assets.

(iii) In respect of its inventories:

(a) As explained to us, the inventories were physically verified during the year by the Management at intervals which, in our opinion, were reasonable.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies between the physical stocks and book records were noticed on physical verification.

(iv) The Company has not granted or taken any loans, secured or unsecured, during the year, to Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.

(v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of inventories and fixed assets and for the sale of goods. During the course of our audit, we have not observed any major weaknesses in such internal control system.

(vi) To the best of our knowledge and belief and according to the information and explanations given to us, there were no contracts or arrangements that needed to be entered into the Register maintained under Section 301 of the Companies Act, 1956.

(vii) The Company has not accepted deposits from the public which are covered by the provisions of Sections 58A and 58 AA and the Companies' (Acceptance of Deposit) Rules, 1975.

(viii) In our opinion, the internal audit functions carried out during the year by a professional firm appointed by the Management have been commensurate with the size of the Company and the nature of its business.

(ix) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(x) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, State Value Added Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and any other material statutory dues with the appropriate authorities during the year.

(b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2012 for a period of more than six months from the date they became payable.

(c) There are no dues of Sales Tax, State Value Added Tax, Service Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty and cess which have not been deposited as at 31st March, 2012 on account of any dispute, except as stated below:

| Sr. No. | Nature of the dues | Amount (₹ In Lakhs) | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|
| 1 | **The Central Excise Act, 1944** | | | |
| | Excise Duty | 9.95 | 2006 | Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai |
| | Excise Duty | 1.55 | 2000-01 | Commissioner (Appeals), Mumbai |

(xi) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.

(xii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For S. B. BILLIMORIA & CO.
*Chartered Accountants*
(Registration No. 101496W)

Z. F. Billimoria
*Partner*
Membership No. 42791

*Mumbai, 14th May, 2012*

# BALANCE SHEET AS AT 31ST MARCH, 2012

| | Note No. | ₹ in Lakhs | ₹ in Lakhs | As at 31st March, 2011 ₹ in Lakhs |
|---|---|---|---|---|
| (A) EQUITY AND LIABILITIES: | | | | |
| SHAREHOLDERS' FUNDS | | | | |
| (a) Share Capital | 2 | 574.70 | | *574.70* |
| (b) Reserves and Surplus | 3 | 14,252.14 | | *12,301.29* |
| | | | 14,826.84 | *12,875.99* |
| NON-CURRENT LIABILITIES | | | | |
| (a) Deferred Tax Liabilities (Net) | 4 | 1,575.35 | | *1,238.50* |
| (b) Long-Term Provisions | 5 | 54.01 | | — |
| | | | 1,629.36 | *1,238.50* |
| CURRENT LIABILITIES | | | | |
| (a) Short-Term Borrowings | 6 | 526.43 | | *885.17* |
| (b) Trade Payables | 7 | 2,007.89 | | *2,292.35* |
| (c) Other Current Liabilities | 8 | 203.47 | | *478.99* |
| (d) Short-Term Provisions | 9 | 897.56 | | *895.55* |
| | | | 3,635.35 | *4,552.06* |
| TOTAL | | | 20,091.55 | *18,666.55* |
| (B) ASSETS: | | | | |
| NON-CURRENT ASSETS | | | | |
| (a) Fixed Assets | | | | |
| (i) Tangible Assets | 10 | 11,781.95 | | *7,459.41* |
| (ii) Capital Work-in-progress | | 258.34 | | *2,188.08* |
| (b) Non-current Investments | 11 | 127.33 | | *127.33* |
| (c) Long-Term Loans and Advances | 12 | 211.41 | | *804.81* |
| (d) Other Non-current Assets | 13 | — | | *2.07* |
| | | | 12,379.03 | *10,581.70* |
| CURRENT ASSETS | | | | |
| (a) Current Investments | 14 | 2,270.68 | | *2,050.09* |
| (b) Inventories | 15 | 1,096.27 | | *1,839.49* |
| (c) Trade Receivables | 16 | 2,436.34 | | *2,707.43* |
| (d) Cash and Cash Equivalent | 17 | 101.99 | | *101.53* |
| (e) Short-Term Loans and Advances | 18 | 1,791.28 | | *1,378.76* |
| (f) Other Current Assets | 19 | 15.97 | | *7.55* |
| | | | 7,712.52 | *8,084.85* |
| TOTAL | | | 20,091.55 | *18,666.55* |

See Significant Accounting Policies and accompanying Notes to the Financial Statements

In terms of our report attached

For S.B. BILLIMORIA & CO.
*Chartered Accountants*

Z. F. Billimoria
*Partner*

*Mumbai, 14th May, 2012*

For and on behalf of the Board of Directors

S. R. LOHOKARE
*Managing Director*

S. A. GAIKWAD
*Company Secretary*

NESS N. WADIA — *Chairman*

P. V. KUPPUSWAMY
R. BATRA
J. S. BILIMORIA
D. N. MEHTA
N. P. GHANEKAR
*Directors*

*Mumbai, 14th May, 2012*

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

| | | Note No. | ₹ in Lakhs | ₹ in Lakhs | *As at 31st March, 2011 ₹ in Lakhs* |
|---|---|---|---|---|---|
| I. | REVENUE FROM OPERATIONS | 21 | | 15,400.00 | *18,191.54* |
| II. | OTHER INCOME | 22 | | 216.72 | *296.16* |
| III. | TOTAL REVENUE | | | 15,616.72 | *18,487.70* |
| IV. | EXPENSES: | | | | |
| | Cost of Raw Material Consumed | 23 | | 3,360.60 | *2,921.04* |
| | Changes in inventories of finished goods | 24 | | 587.10 | *(849.03)* |
| | Employee benefits expenses | 25 | | 1,068.64 | *1,126.40* |
| | Finance cost | 26 | | 40.75 | *75.84* |
| | Depreciation and amortisation expenses | 10 | | 1,002.19 | *840.96* |
| | Other expenses | 27 | | 5,669.10 | *5,778.22* |
| | TOTAL EXPENSES | | | 11,728.38 | *9,893.44* |
| V. | PROFIT BEFORE TAX (III - IV) | | | 3,888.34 | *8,594.26* |
| VI. | TAX EXPENSE: | | | | |
| | — Current tax | | 810.00 | | *2,872.00* |
| | — Deferred tax | 4 | 336.85 | | *(66.00)* |
| | Add : Excess Provision for Taxes of Prior Years | | (6.63) | | *(4.01)* |
| | | | | 1,140.22 | *2,801.99* |
| VII. | PROFIT FOR THE YEAR (V - VI) | | | 2,748.12 | *5,792.27* |
| VIII. | Earnings per equity share - Basic and Diluted (₹) (Face Value ₹ 10) | 30 | | 47.82 | *100.79* |

See Significant Accounting Policies and accompanying Notes to the Financial Statements

In terms of our report attached

For and on behalf of the Board of Directors

For S.B. BILLIMORIA & CO.
*Chartered Accountants*

Z. F. Billimoria
*Partner*

S. R. LOHOKARE
*Managing Director*

S. A. GAIKWAD
*Company Secretary*

NESS N. WADIA — *Chairman*

P. V. KUPPUSWAMY
R. BATRA
J. S. BILIMORIA
D. N. MEHTA
N. P. GHANEKAR
*Directors*

*Mumbai, 14th May, 2012*

*Mumbai, 14th May, 2012*

# CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

| | | ₹ in Lakhs | *2010-2011 ₹ in Lakhs* |
|---|---|---|---|
| **A** | **CASH FLOW FROM OPERATING ACTIVITIES:** | | |
| | Profit Before Tax | 3,888.34 | *8,594.26* |
| | **Adjustments for:** | | |
| | Depreciation | 1,002.19 | *840.96* |
| | Interest expense | 40.75 | *75.84* |
| | Interest income | (67.11) | *(85.65)* |
| | Dividend income | (110.95) | *(191.58)* |
| | Provision for Employee Benefits | 58.68 | *9.68* |
| | Loss/(Profit) on sale of Fixed Assets | 20.38 | *(7.40)* |
| | Deferred Revenue Expenditure amortised | 2.07 | *7.11* |
| | **Operating Profit before Working Capital Changes** | 4,834.35 | *9,243.22* |
| | **Adjustments for (increase)/decrease in operating assets:** | | |
| | Trade Receivables | 271.09 | *(964.47)* |
| | Long-term Loans and Advances | 593.40 | *(625.62)* |
| | Short-term Loans and Advances | (382.81) | *(558.78)* |
| | Term deposits pledged with banks | 1.36 | *(65.43)* |
| | Dividend Account balance with banks | (3.79) | *(2.90)* |
| | Inventories | 743.22 | *(1,049.52)* |
| | **Adjustments for increase/(decrease) in operating liabilities:** | | |
| | Trade Payables | (284.46) | *850.77* |
| | Other Current Liabilities | (279.31) | *307.05* |
| | **Cash generated from operations** | 5,493.05 | *7,134.32* |
| | Less: Taxes paid | (833.07) | *(2,844.36)* |
| | **Net Cash from Operating Activities (A)** | 4,659.98 | *4,289.96* |
| **B** | **CASH FLOW FROM INVESTING ACTIVITIES:** | | |
| | Purchase of Fixed Assets (including Capital work in progress) | (3,423.28) | *(2,104.39)* |
| | Sale of Fixed Assets | 7.91 | *16.75* |
| | Interest received | 58.70 | *78.10* |
| | Dividend received | 110.95 | *191.58* |
| | Inter Corporate Deposits placed | (500.00) | *(500.00)* |
| | Inter Corporate Deposits refunded | 500.00 | *—* |
| | Purchase of Investments in Mutual Fund | (8,027.35) | *(13,047.85)* |
| | Sale of Investments in Mutual Fund | 7,806.76 | *10,997.75* |
| | **Net Cash Used in Investing Activities (B)** | (3,466.31) | *(4,368.06)* |
| **C** | **CASH FLOW FROM FINANCING ACTIVITIES:** | | |
| | Unsecured Loan from Subsidiary (Net) | — | *(144.84)* |
| | Cash Credit | (358.74) | *885.17* |
| | Interest paid | (40.75) | *(75.84)* |
| | Dividend and Tax on Dividend paid | (796.15) | *(646.72)* |
| | **Net Cash (used)/from Financing Activities (C)** | (1,195.64) | *17.76* |
| | **Net Decrease in Cash and Cash equivalents (A+B+C)** | (1.97) | *(60.34)* |
| | Cash and Cash Equivalents – Opening balance | 3.07 | *63.41* |
| | Cash and Cash Equivalents – Closing balance | 1.10 | *3.07* |
| | Cash and Bank Balances – Closing balance (As per Note No. 17) | 101.99 | *101.53* |
| | Less: Deposits with Banks (Pledged as Margin Money) | 76.32 | *77.68* |
| | Less: Unclaimed Dividends | 24.57 | *20.78* |
| | Cash and Cash Equivalents – Closing balance | 1.10 | *3.07* |
| | See Significant Accounting Policies and accompanying Notes to the Financial Statements | | |

In terms of our report attached

For S.B. BILLIMORIA & CO.
*Chartered Accountants*

Z. F. Billimoria
*Partner*

*Mumbai, 14th May, 2012*

For and on behalf of the Board of Directors

S. R. LOHOKARE
*Managing Director*

S. A. GAIKWAD
*Company Secretary*

NESS N. WADIA — *Chairman*

P. V. KUPPUSWAMY
R. BATRA
J. S. BILIMORIA
D. N. MEHTA
N. P. GHANEKAR
*Directors*

*Mumbai, 14th May, 2012*

# NOTES TO THE FINANCIAL STATEMENTS

## 1. SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Accounting**

The financial statements are prepared as per historical cost convention and in accordance with the generally accepted accounting principles in India, the provisions of the Companies Act, 1956, and the applicable Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006. All income and expenditure having material bearing on the financial statements are recognised on accrual basis.

(b) **Use of Estimates:**

The presentation of the financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities. Such estimates and assumptions are based on management's evaluation of relevant facts and circumstances as on the date of financial statements. The actual outcome may diverge from these estimates.

(c) **Fixed assets and depreciation:**

- Tangible fixed assets and depreciation

  Tangible fixed assets acquired by the Company are reported at acquisition value, with deductions for accumulated depreciation and impairment losses, if any. The acquisition value includes the purchase price (excluding refundable taxes) and expenses directly attributable to the asset to bring it to the site and in the working condition for its intended use. Examples of directly attributable expenses included in the acquisition value are delivery and handling costs, installation, legal services and consultancy services.

  Where the construction or development of any such asset requiring a substantial period of time to set up for its intended use, is funded by borrowings, the corresponding borrowing costs are capitalised up to the date when the asset is ready for its intended use.

  Depreciation is provided on a straight line basis at rates and in the manner specified in Schedule XIV to the Companies Act, 1956, unless the use of a higher rate or an accelerated charge is justified through technical estimates. Accordingly, certain electronic items are depreciated at 33.33%. Assets costing less than ₹ 5,000 are fully depreciated in the year of purchase. Extra shift depreciation is applied to applicable items of plant and machinery for days additional shifts are worked.

(d) **Impairment of fixed assets:**

Consideration is given at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is greater of the net selling price and value in use. Reversal of impairment loss is recognised immediately as income in the Statement of Profit and Loss.

(e) **Deferred Revenue Expenditure:**

Monthly pension costs are amortised over the period of payment.

(f) **Taxes on Income:**

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is calculated to correspond to the tax effect arising when final tax is determined. Deferred tax corresponds to the net effect of tax on all timing differences which occur as a result of items being allowed for income tax purposes during a period different from when they were recognised in the financial statements.

Deferred tax assets are recognised with regard to all deductible timing differences to the extent that it is probable that taxable profit will be available against which deductible timing differences can be utilised. When the Company carries forward unused tax losses and unabsorbed depreciation, deferred tax assets are recognised only to the extent there is virtual certainty backed by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced by the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the aggregate deferred tax asset to be utilised.

(g) **Investments:**

Investments are either classified as current or long-term investments. Current investments are carried at lower of cost and market value. Long-term investments are carried at cost of acquisitions, net of diminution in value, if any, which is other than temporary.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(h) **Inventories:**

Inventories are valued at the lower of the cost and the net realisable value.

In the case of raw materials, packing materials and stores and spare parts, cost is determined in accordance with the moving weighted average principle. Costs include the purchase price, non-refundable taxes and delivery and handling costs.

Cost of finished goods is determined using the absorption costing principles. Costs include the cost of materials consumed, labour and a systematic allocation of variable and fixed production overheads. Excise duties at the applicable rates are also included in the cost of finished goods.

Net realisable value is estimated at the expected selling price less estimated completion and selling costs.

(i) **Revenue Recognition:**

Sales include products and services, net off trade discounts and exclude sales tax, state value added tax and service tax.

With regard to sale of products, income is reported when practically all risks and rights connected with ownership have been transferred to the buyer. This usually occurs upon dispatch, after the price has been determined and collection of the receivable is reasonably certain.

Revenue from dividend on securities is recognised when the right to receive such dividend is established. Interest on securities is recognised evenly over the period of the instrument.

(j) **Financial Income and Borrowing Cost:**

Financial income and borrowing cost include interest income on bank deposits and interest expense on loans.

Interest income is accrued evenly over the period of the instrument.

Borrowing cost are recognised in the period to which they relate, regardless of how the funds have been utilised, except where it relates to financing of construction or development of assets requiring a substantial period of time to prepare for their intended future use. Interest is capitalised up to the date when the asset is ready for its intended use. The amount of interest capitalised (gross of tax) for the period is determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of accumulated expenditure for the assets during the period.

(k) **Foreign Currency Transactions:**

Transactions in foreign currencies are translated to the reporting currency based on the exchange rate on the date of the transaction. Exchange differences arising on settlement thereof during the year are recognised as income or expenses in the Statement of Profit and Loss.

Cash and bank balances, receivables and liabilities (monetary items) in foreign currencies as at the year end are translated at closing-date rates, and unrealised translation differences are included in the Statement of Profit and Loss.

(l) **Employee Benefits:**

(a) **Short-term Employee Benefits**

Short term employee benefits are recognised as an expense at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

(b) **Long-term Employee Benefits**

The Company has both defined-contribution and defined-benefit plans, of which some have assets in special funds or securities. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

(i) **Defined-contribution plans**

Annual contribution payable to the Provident Fund and Superannuation Fund (based on the percentage of salary) are charged as an expense as they fall due, that is, in the same period as the employment gives rise to the contribution. Company also contributes to an established Provident Fund for certain employees where it is obliged to meet the interest shortfall, if any.

(ii) **Defined-benefit plans**

Expenses for defined-benefit gratuity and pension are calculated as at the Balance Sheet date by independent actuaries in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees. Actuarial gains and losses are immediately recognised in the Statement of Profit and Loss.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(c) **Other Employee Benefits**

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be encashed or availed in twelve months immediately following the year end are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits after deducting amounts already paid. Where there are restrictions on availment of encashment of such accrued benefit or where the availment or encashment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

(m) **Provisions and Contingencies:**

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised but are disclosed in the notes to the financial statement.

(n) **Operating Lease:**

Assets acquired on lease where significant portion of the risks and rewards incidental to ownership are effectively retained by the lessors are classified as operating leases. Lease rentals are charged to the Statement of Profit and Loss on a straight line basis over the lease period.

| | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|
| **2. SHARE CAPITAL** | | |
| AUTHORISED | | |
| 25,000,000 (Previous Year – 25,000,000) Equity Shares of ₹ 10 each.. | 2,500.00 | *2,500.00* |
| ISSUED, SUBSCRIBED AND PAID-UP | | |
| 5,747,000 (Previous Year – 5,747,000) Equity Shares of ₹ 10 each...... | 574.70 | *574.70* |

The Company has only one class of shares referred to as equity shares having a par value of ₹ 10. Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in Indian rupees.The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

In last 5 years, no classes of shares has been issued either by payment being received in cash or brought back nor bonus issues made by the Company.

Following are the names of the shareholders with numbers of Equity Shares holding more than 5 percent of the total Equity Shares:

| **Name of the Equity Shareholders** | Numbers of shares 31.03.2012 | *Numbers of shares 31.03.2011* |
|---|---|---|
| Macrofil Investments Limited | 1,884,065 | *1,884,065* |
| Percentage | 32.78 | *32.78* |
| Solvay S A | 1,442,500 | *1,442,500* |
| Percentage | 25.10 | *25.10* |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| | ₹ in Lakhs | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|---|
| **3. RESERVES AND SURPLUS** | | | |
| GENERAL RESERVE | | | |
| Balance as per last balance sheet | 2,223.50 | | *1,644.00* |
| Add:- Transfer from Surplus in Statement of Profit and Loss | 275.00 | | *579.50* |
| | | 2,498.50 | *2,223.50* |
| SURPLUS IN STATEMENT OF PROFIT AND LOSS | | | |
| Opening Balance | 10,077.79 | | *5,646.45* |
| Add: Profit for the year | 2,748.12 | | *5,792.27* |
| Amount available for appropriation | 12,825.91 | | *11,438.72* |
| Less: Proposed Dividend (See Note (i) below) | 689.64 | | *689.64* |
| Less: Tax on Dividend | 111.88 | | *114.54* |
| Less: Additional Tax on Dividend Credit taken (See Note (ii) below) | (4.24) | | *(22.75)* |
| Less: Transfer to General Reserve | 275.00 | | *579.50* |
| | | 11,753.64 | *10,077.79* |
| | | 14,252.14 | *12,301.29* |

(i) The Board of Directors at its meeting held on 14th May, 2012 has recomended a dividend of ₹ 12/- per equity share.

(ii) Additional Tax on dividend credit taken, ₹ 4.24 Lakhs (Previous Year ₹ 22.75 lakhs), pertains to the dividend tax paid by the Subsidiary Company on the dividend paid to Company as per Section 115(O)(1A) of the Income Tax Act, 1961.

| | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|
| **4. DEFERRED TAXES** | | |
| DEFERRED TAX LIABILITY: | | |
| Depreciation on fixed assets | 1,624.04 | *1,268.85* |
| Total | 1,624.04 | *1,268.85* |
| DEFERRED TAX ASSET: | | |
| Provision for Compensated Absences | (29.89) | *(30.35)* |
| Other Provisions | (18.80) | — |
| Total | (48.69) | *(30.35)* |
| NET DEFERRED TAX LIABILITY | 1,575.35 | *1,238.50* |

The Company has recognised in the Statement of Profit and Loss, the net provision of deferred tax liability of ₹ 336.85 Lakhs (Previous year reversal of Deferred tax liability – ₹ 66 Lakhs).

| | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|
| **5. LONG-TERM PROVISIONS** | | |
| Provision for employee benefits | 54.01 | — |
| | 54.01 | — |
| **6. SHORT-TERM BORROWINGS** | | |
| SECURED BORROWINGS | | |
| Loans Repayable on Demand: | | |
| Cash Credits | 526.43 | *885.17* |
| (Secured by a first charge by way of hypothecation of stocks and book debts and second mortgage of all the Company's immovable properties.) | | |
| | 526.43 | *885.17* |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|
| **7. TRADE PAYABLES** | | |
| Payable for goods purchased | 826.16 | *1,261.09* |
| Payable to Employees | 43.19 | *38.45* |
| Payable for other expenses (includes ₹ 0.05 Lakhs (Previous year ₹ 0.04 lakhs) due to Micro, Small and Medium Enterprises) | 1,138.55 | *992.81* |
| | 2,007.89 | *2,292.35* |
| **8. OTHER CURRENT LIABILITIES** | | |
| Advance & Deposits received from Customers | 35.57 | *97.86* |
| Statutory and Other dues | 30.27 | *27.62* |
| Payable in respect of Capital Goods | 81.74 | *230.48* |
| Payable to Gratuity Fund | 31.32 | *102.26* |
| Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 not due: | | |
| Unclaimed Dividends | 24.57 | *20.78* |
| | 203.47 | *478.99* |
| **9. SHORT-TERM PROVISIONS** | | |
| Provision for employee benefits | 96.05 | *91.37* |
| Proposed Dividend: | | |
| Proposed Dividend (Refer to Note No. 3 (i)) | 689.64 | *689.64* |
| Tax on Dividend | 111.88 | *114.54* |
| | 897.56 | *895.55* |

**Footnote:**

| | | |
|---|---|---|
| Amount remitted during the year in Foreign Currency on account of dividend | 31.03.2012 | *31.03.2011* |
| 1. Number of Shareholders | 1 | *1* |
| 2. Number of Shares held | 1,442,500 | *1,442,500* |
| 3. Amount remitted (in ₹ Lakhs) | 173.10 | *144.25* |
| 4. Year to which dividend relates | 2010-11 | *2009-10* |

## 10. FIXED ASSETS

(₹ in lakhs)

| | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Opening as at 1-04-2011 | Additions during the year | Deductions during the year | Closing as at 31-03-2012 | Up to 31-03-2011 | For the year | Deductions during the year | Up to 31-03-2012 | As at 31-03-2012 | As at 31-03-2011 |
| TANGIBLE ASSETS: | | | | | | | | | | |
| Land : Freehold | 5.89 | — | — | 5.89 | — | — | — | — | 5.89 | 5.89 |
| Buildings | 590.06 | — | — | 590.06 | 264.67 | 18.68 | — | 283.35 | 306.71 | 325.39 |
| Plant & Machinery | 16,651.84 | 5,350.37 | 39.27 | 21,962.94 | 9,551.84 | 979.36 | 10.98 | 10,520.22 | 11,442.72 | 7,100.00 |
| Furniture & Fixtures | 74.73 | 0.78 | — | 75.51 | 61.47 | 1.68 | — | 63.15 | 12.36 | 13.26 |
| Office Equipments | 54.13 | 1.87 | — | 56.00 | 39.26 | 2.47 | — | 41.73 | 14.27 | 14.87 |
| TOTAL | 17,376.65 | 5,353.02 | 39.27 | 22,690.40 | 9,917.24 | 1,002.19 | 10.98 | 10,908.45 | 11,781.95 | 7,459.41 |
| *Previous Year* | *17,290.82* | *101.54* | *15.72* | *17,376.65* | *9,082.65* | *840.96* | *6.37* | *9,917.24* | *7,459.40* | |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| | ₹ in Lakhs | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|---|
| **11. NON CURRENT INVESTMENTS** | | | |
| INVESTMENT IN EQUITY INSTRUMENTS (LONG TERM): | | | |
| TRADE INVESTMENTS (QUOTED) AT COST: | | | |
| 297,940 (Previous year: 297,940) Equity Shares of ₹ 10 each fully paid up in The Bombay Dyeing & Manufacturing Company Limited .......... | 78.02 | | *78.02* |
| 250,440 (Previous year: 250,440) Equity Shares of ₹ 10 each fully paid up in The Bombay Burmah Trading Corporation Limited .................. | 23.74 | | *23.74* |
| | | 101.76 | *101.76* |
| TRADE INVESTMENTS IN THE SUBSIDIARY COMPANY (UNQUOTED) AT COST: | | | |
| 25,500 (Previous year: 25,500) Equity Shares of ₹ 100 each fully paid up in Naperol Investments Limited ............ | | 25.50 | *25.50* |
| Non-Trade Investments (Quoted) at Cost: | | | |
| 600 (Previous year: 600) Equity Shares of ₹ 2 each fully paid up in Housing Development Finance Corporation Limited .......... | 0.02 | | *0.02* |
| 2,500 (Previous year: 2,500) Shares of ₹ 2 each fully paid up in HDFC Bank Limited .......... | 0.05 | | *0.05* |
| | | 0.07 | *0.07* |
| | | 127.33 | *127.33* |
| AGGREGATE AMOUNT OF QUOTED: | | | |
| Cost .......... | | 101.83 | *101.83* |
| Market Value .......... | | 3,223.37 | *2,101.55* |
| AGGREGATE AMOUNT OF UNQUOTED: | | | |
| Cost .......... | | 25.50 | *25.50* |
| **12. LONG-TERM LOANS AND ADVANCES** | | | |
| (Unsecured, considered good) | | | |
| Capital Advances .......... | | 29.54 | *628.50* |
| Sundry Deposits .......... | | 181.87 | *174.58* |
| Prepaid Expenses .......... | | — | *1.73* |
| | | 211.41 | *804.81* |
| **13. OTHER NON CURRENT ASSETS** | | | |
| (Unsecured, considered good) | | | |
| Deferred Revenue Expenditure .......... | | — | *2.07* |
| | | — | *2.07* |

**Footnote:**

Deferred Revenue Expenditure recognised prior to 1st April, 2003

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|
| **14. CURRENT INVESTMENTS** | | |
| INVESTMENT IN MUTUAL FUND: | | |
| UNQUOTED (AT COST OR MARKET VALUE WHICHEVER IS LOWER): | | |
| L147ID SBI - SHF- Ultra Short Term Fund - Institutional Plan – Daily Dividend Nil (Previous Year: 20,488,612.778) Units of ₹ 10 each ........ | — | *2,050.09* |
| L72D SBI Premier Liquid Fund -Institutional – Daily Dividend 59,942.019 (Previous Year: Nil) Units of ₹ 10 each ............................. | 601.37 | — |
| L72SG SBI Premier Liquid fund – Super Institutional – Gowth 8,904.361 (Previous Year: Nil) Units of ₹ 10 each ................................................ | 150.00 | — |
| JM Money Manager Fund – Super Plan – Daily Dividend(169) 1,060,690.364 (Previous Year: Nil) Units of ₹ 10 each......................... | 106.20 | — |
| JM Money Manager Fund – Regular Plan – Daily Dividend (167) 531,143.185 (Previous Year: Nil) Units of ₹ 10 each............................ | 53.20 | — |
| JM Money Manager Fund – Super Plus Plan – Daily Dividend (171) 6,079,002.34 (Previous Year: Nil) Units of ₹ 10 each........................... | 608.37 | — |
| B150DD Birla Sun Life Cash plus – Institutional – Daily Dividend -Reinvestment 695,572.355 (Previous Year: Nil) Units of ₹ 10 each...... | 751.54 | — |
| | 2,270.68 | *2,050.09* |
| Aggregate Net Asset Value of units in Mutual Funds............................. | 2,270.68 | *2,050.09* |
| **15. INVENTORIES** | | |
| (at lower of Cost and Net Realisable Value) | | |
| Raw Materials (including Goods-in-transit ₹ 60.29 Lakhs (Previous Year – Nil)) ........................................................................................ | 333.05 | *434.16* |
| Finished Products ...................................................................................... | 325.42 | *912.52* |
| Stores, Spare Parts, and Packing materials .......................................... | 437.80 | *492.81* |
| | 1,096.27 | *1,839.49* |
| **16. TRADE RECEIVABLES** | | |
| (Unsecured, considered good) | | |
| Outstanding for a period exceeding six months from the date they were due for payment ................................................................................... | — | — |
| Others ................................................................................................ | 2,436.34 | *2,707.43* |
| | 2,436.34 | *2,707.43* |
| **17. CASH AND CASH EQUIVALENTS** | | |
| Cash on hand........................................................................................ | 0.04 | *1.54* |
| Balances With Banks: | | |
| In Current Account ................................................................................ | 1.06 | *1.53* |
| Other Bank Balances: | | |
| In Deposit Account having maturity less than 12 months but more than 3 months (Pledged as Margin Money) ......................................... | 76.32 | *77.68* |
| In Unpaid Dividend Account ................................................................ | 24.57 | *20.78* |
| | 101.99 | *101.53* |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|
| **18. SHORT-TERM LOANS AND ADVANCES** | | |
| (Unsecured, considered good) | | |
| Intercorporate Deposits | 500.00 | *500.00* |
| Advance Payment of Taxes (net of provision ₹ 5,540.00 Lakhs [Previous Year – ₹ 5,249.50 Lakhs]) | 146.04 | *116.33* |
| Advance to Employees | 0.26 | *0.45* |
| Sundry Deposits | 61.62 | *72.40* |
| Balances with Excise, Customs, Sales tax etc | 481.71 | *264.53* |
| Prepaid Expenses | 13.68 | *11.52* |
| Advance for Purchase of Materials | 76.59 | *112.44* |
| Advance for Expenses | 511.38 | *301.09* |
| | 1,791.28 | *1,378.76* |

| | | |
|---|---|---|
| **19. OTHER CURRENT ASSETS** | | |
| Interest Accrued but not due on intercorporate and sundry deposits | 15.97 | *7.55* |
| | 15.97 | *7.55* |

| | | |
|---|---|---|
| **20. CONTINGENT LIABILITIES AND COMMITMENTS** | | |
| (a) Estimated amount of Contracts remaining to be executed on Capital Account and not provided for | 23.76 | *1,469.88* |
| (b) Other Commitment | | |
| The Company has entered into a long term agreement with GAIL (India) Limited (GAIL) for purchase of Natural Gas. The agreement is valid till 30th April, 2028. As per the said agreement, the Company under 'Take or Pay obligation' clause has to make payment for a fixed quantity of gas on an annual basis, whether used or not. However the shortfall can also be adjusted against the next year's consumption. GAIL has the discretion to waive off the said Take or Pay charges. Till date GAIL has not levied such charges and the Company also does not foresee any liability on this account in the near future | — | — |
| (c) Excise Duties – 'Pending in appeal-matters decided against the Company (the Company is not estimating any cash outflow relating to this matter) | 11.50 | *11.50* |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| | ₹ in Lakhs | 2011-12 ₹ in Lakhs | *2010-2011 ₹ in Lakhs* |
|---|---|---|---|
| **21. REVENUE FROM OPERATIONS** | | | |
| Sale of Products | | | |
| Hydrogen Peroxide | 15,928.13 | | *18,915.23* |
| Sodium Perborate | 270.95 | | *300.18* |
| Hydrogen Gas | 648.50 | | *737.47* |
| Gross Total | 16,847.58 | | *19,952.88* |
| Less: Excise duty | 1,516.62 | | *1,789.77* |
| Total | | 15,330.96 | *18,163.11* |
| Other Operating Revenue: | | | |
| Sale of Scrap | | 44.39 | *20.40* |
| Trade payable written back (Net) | | 22.60 | *5.05* |
| Discount received | | 1.94 | *2.98* |
| Insurance Claims | | 0.11 | *—* |
| | | 15,400.00 | *18,191.54* |

| | | | |
|---|---|---|---|
| **22. OTHER INCOME** | | | |
| Interest income from Banks on Fixed Deposits | | 4.96 | *10.89* |
| Interest income from Intercorporate Deposits | | 51.71 | *54.85* |
| Other Interest income | | 10.44 | *19.91* |
| Dividends (Long Term) | | | |
| On Trade Investments | 27.96 | | *16.21* |
| From Subsidiary Company | 25.50 | | *133.88* |
| Dividends (Current) | | | |
| On Other Investments | 57.49 | | *41.49* |
| | | 110.95 | *191.58* |
| Profit on Sale of Assets | | — | *7.40* |
| Foreign Exchange Fluctuation (Net) | | 3.66 | *11.53* |
| Deposits written back (Net) | | 35.00 | *—* |
| | | 216.72 | *296.16* |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| | ₹ in Lakhs | 2011-12 ₹ in Lakhs | 2010-2011 ₹ in Lakhs |
|---|---|---|---|
| **23. COST OF RAW MATERIAL CONSUMED** | | | |
| Opening Stock | | 434.16 | 333.36 |
| Add: Purchases | | 3,342.70 | 3,021.84 |
| | | 3,776.86 | 3,355.20 |
| Less: Capitalisation of Cost of Material consumed during expansion | | 83.21 | — |
| | | 3,693.65 | 3,355.20 |
| Less: Closing Stock | | 333.05 | 434.16 |
| Cost of material consumed | | 3,360.60 | 2,921.04 |
| Material consumed comprises (Net of Capitalisation) | | | |
| Natural Gas | | 2,001.05 | 2,180.71 |
| Solvents and Chemicals | | 918.16 | 532.24 |
| Others | | 441.39 | 208.09 |
| | | 3,360.60 | 2,921.04 |
| **24. CHANGES IN INVENTORY OF FINISHED GOODS** | | | |
| Opening balance | | | |
| Hydrogen Peroxide | 902.22 | | 54.22 |
| Sodium Perborate | 10.30 | | 9.27 |
| | | 912.52 | 63.49 |
| Closing balance | | | |
| Hydrogen Peroxide | 322.05 | | 902.22 |
| Sodium Perborate | 3.37 | | 10.30 |
| | | 325.42 | 912.52 |
| Net (Increase)/Decrease in Finished Goods | | 587.10 | (849.03) |
| **25. EMPLOYEE BENEFITS EXPENSES** | | | |
| Salaries, Wages and Other Benefits | | 1,021.12 | 819.79 |
| Contributions to Provident and Other Funds (Refer to Note No. 28) | | 109.96 | 190.90 |
| Workmen and Staff Welfare Expenses | | 150.55 | 115.71 |
| | | 1,281.63 | 1,126.40 |
| Less: Amount capitalised during the year | | 212.99 | — |
| | | 1,068.64 | 1,126.40 |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| | ₹ in Lakhs | 2011-12 ₹ in Lakhs | *2010-2011 ₹ in Lakhs* |
|---|---|---|---|
| **26. FINANCE COSTS** | | | |
| Interest on Borrowings | | 7.87 | *7.22* |
| Discounting Charges | | 32.88 | *68.62* |
| | | 40.75 | *75.84* |
| **27. OTHER EXPENSES** | | | |
| MANUFACTURING, ADMINISTRATION AND SELLING EXPENSES: | | | |
| Excise Duty (Change in Closing Stock) | (103.82) | | *138.35* |
| Insurance | 38.67 | | *33.19* |
| Rent | 16.37 | | *21.88* |
| Rates and Taxes | 40.34 | | *20.64* |
| Commission and Discount | 29.74 | | *30.07* |
| Packing and Containers | 1,283.35 | | *1,486.96* |
| Power, Fuel and Water | 1,974.71 | | *1,948.45* |
| Stores and Spare Parts Consumed | 598.00 | | *338.42* |
| Repairs and Maintenance – Buildings | 3.89 | | *2.34* |
| Repairs and Maintenance – Machinery | 427.56 | | *288.95* |
| Freight Outward | 1,018.37 | | *1,030.98* |
| Sundry Expenses | 388.25 | | *327.53* |
| | | 5,715.43 | *5,667.76* |
| AUDITORS' REMUNERATION | | | |
| (i) Audit Fees | 7.00 | | *7.00* |
| (ii) Other Matters | 2.25 | | *3.75* |
| (iii) Reimbursement of Expenses | 0.14 | | *0.19* |
| (iv) Service Tax (Excluding ₹ 1.12 Lakhs (Previous Year ₹ 1.13 Lakhs) which is claimed as input credit) | — | | *—* |
| | | 9.39 | *10.94* |
| Bad Debts | | 1.27 | *—* |
| Loss on Sale of Fixed Assets | | 20.38 | *—* |
| Deferred Revenue Expenditure (Written-off) | | 2.07 | *7.11* |
| Commission to Non Executive Directors | 41.14 | | *88.29* |
| Less: Reversal of previous year excess commission | (23.29) | | *—* |
| | | 17.85 | *88.29* |
| Directors' Sitting Fees | | 9.31 | *4.13* |
| | | 5,775.69 | *5,778.22* |
| Less: Amount capitalised during the year | | 106.59 | *—* |
| | | 5,669.10 | *5,778.22* |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| | 2011-12 (₹ in Lakhs) | *2010-11 (₹ in Lakhs)* |
|---|---|---|
| **28. EMPLOYEE BENEFITS OBLIGATIONS** | | |
| **(a) The Company has recognised the following amounts in the Statement of Profit and Loss as contribution under defined contribution schemes** | | |
| (i) Provident Fund | 59.02 | *50.95* |
| (ii) Superannuation Fund | 33.02 | *33.85* |
| (iii) ESIC | 0.11 | *0.36* |
| **(b) Details of the gratuity plan are as follows:** | | |
| **The amounts recognised in the Balance Sheet are as follows:** | | |
| (i) Present value of funded obligations | 487.04 | *454.55* |
| (ii) Fair value of plan assets | (455.73) | *(352.29)* |
| **Amounts in the Balance Sheet:** | | |
| Liabilities | 31.31 | *102.26* |
| Assets | — | — |
| **The amounts recognised in the Statement of Profit and Loss are as follows:** | | |
| (i) Current service cost | 20.01 | *14.86* |
| (ii) Interest on obligation | 33.88 | *24.86* |
| (iii) Expected return on plan assets | (25.58) | *(26.07)* |
| (iv) Net actuarial losses/(gains) recognised in year | 3.00 | *68.05* |
| (v) Past service cost | — | *20.56* |
| (vi) Expenses recognized in the Statement of Profit and Loss | 31.31 | *102.26* |
| **Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:** | | |
| (i) Opening defined benefit obligation | 454.55 | *326.52* |
| (ii) Service cost | 20.01 | *14.86* |
| (iii) Interest cost | 33.88 | *24.86* |
| (iv) Actuarial losses/(gains) | 10.62 | *70.07* |
| (v) Past service cost | — | *20.56* |
| (vi) Benefits paid | (32.02) | *(2.32)* |
| (vii) Closing defined benefit obligation | 487.04 | *454.55* |
| **Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows:** | | |
| (i) Opening fair value of plan assets | 352.29 | *334.35* |
| (ii) Expected return | 25.58 | *26.07* |
| (iii) Actuarial losses/(gains) | 7.61 | *2.02* |
| (iv) Contribution by employer | 102.26 | *(7.83)* |
| (v) Benefits paid | (32.02) | *(2.32)* |
| (vi) Closing fair value of plan assets | 455.72 | *352.29* |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| | 2011-12 | *2010-11* |
|---|---|---|
| **The major categories of plan assets as a percentage of total plan assets are as follows:** | | |
| Category of Assets: | | |
| (i) Government of India Securities | 18% | *22%* |
| (ii) Corporate Bonds | 11% | *31%* |
| (iii) Special Deposit Scheme | 24% | *31%* |
| (iv) Others | 47% | *16%* |
| **Principal actuarial assumptions at the balance sheet date are as follows:** | | |
| (i) Discount rate at 31st March | 8.60% p.a. | *8.10% p.a.* |
| (ii) Expected return on plan assets at 31st March | 8.50% p.a. | *8.50% p.a.* |
| (iii) Rate of increase in compensation | | |
| — Management | 9.00% p.a. | *9.00% p.a.* |
| — Non-Management | 6.00% p.a. | *6.00% p.a.* |
| (iv) Leaving of service | | |
| 21 to 44-age | 2.00% p.a. | *2.00% p.a.* |
| 45 to 59-age | 1.00% p.a. | *1.00% p.a.* |

**The amounts of the present value of the obligation, fair value of plan assets, surplus or deficit in the plan, experience adjustment, arising on plan liabilities and plan assets for the previous five annual periods.**

| | *2007-08 (₹ in Lakhs)* | *2008-09 (₹ in Lakhs)* | *2009-10 (₹ in Lakhs)* | *2010-11 (₹ in Lakhs)* | 2011-12 (₹ in Lakhs) |
|---|---|---|---|---|---|
| Defined Benefit Obligation | *278.33* | *337.74* | *326.52* | *454.55* | 487.04 |
| Plan Assets | *245.95* | *284.72* | *334.35* | *352.29* | 455.73 |
| Surplus/ (Deficit) | *(32.38)* | *(0.53)* | *0.08* | *(102.26)* | (31.31) |
| Experience Adjustment on Plan Liabilities | *12.10* | *17.20* | *12.94* | *72.97* | 24.92 |
| Experience Adjustment on Plan Assets | *27.37* | *2.40* | *3.11* | *2.02* | 7.61 |

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

The contribution expected to be made by the Company during the financial year 2012-13 is ₹ 50 lakhs.

| | 2011-12 (₹ in Lakhs) |
|---|---|
| **(c) Details of the Pension plan are as follows:** | |
| The Company has a scheme whereby pension is payable to certain categories of employees based on the number of years of service upto a specified period after retirement. | |
| The amounts recognised in the Balance Sheet are as follows: | |
| (i) Present value of funded obligations | 57.96 |
| (ii) Fair value of plan assets | — |
| Amounts in the Balance Sheet: | |
| Liabilities | 57.96 |
| Assets | — |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

The amounts recognised in the Statement of Profit and Loss are as follows:

| | | 2011-12 (₹ in Lakhs) |
|---|---|---|
| (i) | Current service cost | 1.94 |
| (ii) | Interest on obligation | 4.67 |
| (iii) | Expected return on plan assets | — |
| (iv) | Net actuarial losses/(gains) recognised in year | (1.97) |
| (v) | Past service cost | — |
| (vi) | Expenses recognized in the Statement of Profit and Loss | 4.64 |

Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

| | | |
|---|---|---|
| (i) | Opening defined benefit obligation | 58.17 |
| (ii) | Service cost | 1.94 |
| (iii) | Interest cost | 4.67 |
| (iv) | Actuarial losses/(gains) | (1.97) |
| (v) | Past service cost | — |
| (vi) | Benefits paid | (4.85) |
| (vii) | Closing defined benefit obligation | 57.96 |

Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows:

| | | |
|---|---|---|
| (i) | Opening fair value of plan assets | — |
| (ii) | Expected return | — |
| (iii) | Actuarial losses/(gains) | — |
| (iv) | Contribution by employer | 4.85 |
| (v) | Benefits paid | (4.85) |
| (vi) | Closing fair value of plan assets | — |

Principal actuarial assumptions at the balance sheet date are as follows:

| | | 2011-12 |
|---|---|---|
| (i) | Discount rate at 31st March | 8.60% p.a. |
| (ii) | Rate of increase in compensation | 6.00% p.a. |

The amounts of the present value of the obligation, fair value of plan assets, surplus or deficit in the plan, experience adjustment, arising on plan liabilities and plan assets are as follows:

| | 2011-12 (₹ in Lakhs) |
|---|---|
| Defined Benefit Obligations | 57.96 |
| Plan Assets | — |
| Surplus/ (Deficit) | (57.96) |
| Experience Adjustment on Plan Liabilities | — |
| Experience Adjustment on Plan Assets | — |

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

**29.** Related party disclosures, as required by AS-18 "Related Party Disclosures" as notified under the Companies (Accounting Standard) Rules, 2006, are given below:

| | Nature of Relationship | Nature of Transactions | 31/3/2012 (₹ in Lakhs) | *31/3/2011 (₹ in Lakhs)* |
|---|---|---|---|---|
| (A) Related Parties | | Loan taken: | | |
| 1. Naperol Investments Ltd. | Wholly owned | Maximum amount outstanding | — | *144.84* |
| | Subsidiary | Interest Expense | — | *2.77* |
| | | Closing Balance | — | — |
| | | Other Income: | | |
| | | Dividend Received | 25.50 | *133.88* |
| (B) Key Management Personnel | | | | |
| Mr. S. R. Lohokare | Managing Director | Remuneration for the year | 174.74 | *141.97* |

No amount have been written off/provided for or written back during the year in respect of amounts receivable from or payable to the related parties.

## 30. EARNINGS PER EQUITY SHARE

| | 2011-12 | *2010-11* |
|---|---|---|
| (a) Net profit for the year (₹ in lakhs) | 2,748.13 | *5,792.27* |
| (b) Number of equity shares of face value of ₹ 10 each | 5,747,000 | *5,747,000* |
| (c) Basic and Diluted Earnings Per Equity Share on the above (₹) | 47.82 | *100.79* |

## 31. OTHER DISCLOSURES

| | 2011-12 (₹ in Lakhs) | *2010-2011 (₹ in Lakhs)* |
|---|---|---|
| (a) Imports on C.I.F. Basis: | | |
| Raw Materials | 708.59 | *588.54* |
| Stores and Spare parts | 29.21 | *5.87* |
| Capital Goods | 153.63 | *337.28* |

(b) The value of consumption of directly imported and indigenously obtained raw materials, components, stores and spare parts and the percentage of each of them to the total consumption:

| | 2011-12 (₹ in Lakhs) | % | *2010-2011 (₹ in Lakhs)* | *%* |
|---|---|---|---|---|
| Raw Materials: | | | | |
| Directly imported | 765.47 | 23 | *614.63* | *21* |
| Indigenously obtained | 2,595.13 | 77 | *2,306.41* | *79* |
| | 3,360.60 | 100 | *2,921.04* | *100* |
| Components, Stores and Spare Parts: | | | | |
| Directly imported | 23.84 | 4 | *3.30* | *1* |
| Indigenously obtained | 574.16 | 96 | *335.12* | *99* |
| | 598.00 | 100 | *338.42* | *100* |

Note : The consumption figures shown above are after adjusting excesses and shortages, ascertained on physical count, unserviceable items, etc.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| | 2011-12 (₹ in Lakhs) | *2010-11 (₹ in Lakhs)* |
|---|---|---|
| (c) Expenditure in Foreign Currency: | | |
| Membership & Subscription | 2.09 | *2.05* |
| Foreign Travel | 5.26 | *4.29* |
| (d) FOB value of export: | | |
| Hydrogen Peroxide | 4.84 | *35.85* |

**32. SEGMENT INFORMATION**

The Company operates in a single business segment i.e., Manufacturing of Peroxygens. Also it operates significantly in a single geographic segment viz India. Therefore, information required by the Accounting Standard on "Segment Reporting" (AS) - 17 are not applicable.

**33. FOREIGN CURRENCY EXPOSURES**

The Company has not taken any derivative instrument during the year and there is no derivative instrument outstanding as at the year end. The year end foreign currency exposures that were not hedged by a derivative instrument, or otherwise are given below.

Amounts payable in foreign currency on account of the following:

| Particulars | 2011-12 | | *2010-2011* | |
|---|---|---|---|---|
| | (₹ in Lakhs) | (Fx in Lakhs) | *(₹ in Lakhs)* | *(Fx in Lakhs)* |
| Import of goods and services | 60.29 | USD 1.17 | *69.28* | *USD 1.57* |
| | — | — | *74.36* | *EUR 1.17* |

Note : Fx = Foreign Currency; USD = US Dollar, EUR = Euro

**34.** The Company has taken motor vehicles on operating lease for a period of four years. The particulars in respect of such leases is as follows:

| | As at 2011-12 (₹ in Lakhs) | *As at 2010-11 (₹ in Lakhs)* |
|---|---|---|
| (a) Total of minimum lease payments for a period: | | |
| — Not later than one year | 15.29 | *13.44* |
| — Later than one year but not later than five years | 22.49 | *28.83* |
| — Later than five | — | — |
| (b) Lease payments recognised in the Statement of Profit and Loss for the year | 12.72 | *10.76* |

**35.** The Revised Schedule VI has become effective from 1st April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification/disclosure.

In terms of our report attached

For S.B. BILLIMORIA & CO.
*Chartered Accountants*

Z. F. Billimoria
*Partner*

*Mumbai, 14th May, 2012*

For and on behalf of the Board of Directors

S. R. LOHOKARE
*Managing Director*

NESS N. WADIA — *Chairman*

P. V. KUPPUSWAMY
R. BATRA
J. S. BILIMORIA
D. N. MEHTA
N. P. GHANEKAR
— *Directors*

S. A. GAIKWAD
*Company Secretary*

*Mumbai, 14th May, 2012*

## STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956.

| | | |
|---|---|---|
| 1. | Name of Subsidiary | Naperol Investments Limited |
| 2. | Financial year ended | 31st March, 2012 |
| 3. | Holding Company's Interest: | |
| | Equity Capital: | |
| | Number of Shares of ₹ 100 each | 25,500 |
| | Extent of Holding | 100% |
| | Redeemable Preference Share Capital: | |
| | Number of Shares | — |
| | Extent of Holding | — |
| 4. | The net aggregate of Profit/(Loss) of the Subsidiary Companies in so far as it concerns the members of the Holding Company: | |
| | (a) Not dealt with in the accounts of the Company for the year ended 31st March, 2012: | |
| | (1) For the Subsidiary's financial year ended as in 2 above | Profit: ₹ 63.28 lacs |
| | (2) For the previous financial years of the Subsidiary | Profit: ₹ 33.30 lacs |
| | (b) Dealt with in the accounts of the Company for the year ended 31st March, 2012: | |
| | (1) For the Subsidiary's financial year ended as in 2 above | Nil |
| | (2) For the previous financial years of the Subsidiary | Nil |

For and on behalf of the Board of Directors

S. R. LOHOKARE
*Managing Director*

NESS N. WADIA — *Chairman*

P. V. KUPPUSWAMY
R. BATRA
J. S. BILIMORIA
D. N. MEHTA
N. P. GHANEKAR
*Directors*

S. A. GAIKWAD
*Company Secretary*

*Mumbai, 14th May, 2012*

## AUDITORS' REPORT

### TO THE BOARD OF DIRECTORS OF NATIONAL PEROXIDE LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NATIONAL PEROXIDE LIMITED AND ITS SUBSIDIARY

1. We have audited the attached Consolidated Balance Sheet of NATIONAL PEROXIDE LIMITED ("the Company") and its subsidiary (the Company and its subsidiary constitutes " the Group") as at 31st March, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary whose financial statements reflect total assets of ₹ 182.75 Lakhs as at 31st March, 2012 and total revenues of ₹ 65.18 Lakhs and net cash inflow amounting ₹ 31.89 Lakhs for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditor whose report has been furnished to us and our opinion in so far as it relates to amounts included in respect of the subsidiary, is based solely on the report of other auditor.
4. We report that the Consolidated Financial Statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements as notified under the Companies (Accounting Standard) Rules, 2006.
5. Based on our audit and on the consideration of the separate audit report on the individual financial statements of the Company, and the aforesaid subsidiary, and to the best of our information and according to the explanations given to us, in our opinion, 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 31st March, 2012;
   (ii) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date and
   (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For S. B. BILLIMORIA & CO.
*Chartered Accountants*
(Registration No. 101496W)

Z. F. Billimoria
*Partner*
(Membership No. 42791)

Mumbai, 14th May, 2012

# CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2012

| | Note No. | ₹ in Lakhs | ₹ in Lakhs | As at 31st March, 2011 ₹ in Lakhs |
|---|---|---|---|---|
| (A) EQUITY AND LIABILITIES: | | | | |
| 1. SHAREHOLDERS' FUNDS | | | | |
| (a) Share Capital | 2 | 574.70 | | *574.70* |
| (b) Reserves and Surplus | 3 | 14,401.98 | | *12,419.55* |
| | | | 14,976.68 | *12,994.25* |
| 2. NON-CURRENT LIABILITIES | | | | |
| (a) Deferred Tax Liability (Net) | 4 | 1,575.35 | | *1,238.50* |
| (b) Long-Term Provisions | 5 | 54.01 | | — |
| 3. CURRENT LIABILITIES | | | 1,629.36 | *1,238.50* |
| (a) Short-Term Borrowings | 6 | 526.43 | | *885.17* |
| (b) Trade Payables | 7 | 2,008.39 | | *2,292.62* |
| (c) Other Current Liabilities | 8 | 203.47 | | *479.00* |
| (d) Short-Term Provisions | 9 | 903.77 | | *899.79* |
| | | | 3,642.06 | *4,556.58* |
| TOTAL | | | 20,248.10 | *18,789.33* |
| (B) ASSETS: | | | | |
| 1. NON-CURRENT ASSETS | | | | |
| (a) Fixed assets | | | | |
| (i) Tangible assets | 10 | 11,781.95 | | *7,459.41* |
| (ii) Capital Work-in-progress | | 258.34 | | *2,188.08* |
| (b) Non-current Investments | 11 | 101.83 | | *101.83* |
| (c) Long-Term Loans and Advances | 12 | 211.41 | | *804.81* |
| (d) Other Non-current Assets | 13 | — | | *2.07* |
| | | | 12,353.53 | *10,556.20* |
| 2. CURRENT ASSETS | | | | |
| (a) Current Investments | 14 | 2,270.68 | | *2,050.09* |
| (b) Inventories | 15 | 1,211.40 | | *1,954.94* |
| (c) Trade Receivables | 16 | 2,436.34 | | *2,707.42* |
| (d) Cash and Cash Equivalent | 17 | 167.30 | | *134.94* |
| (e) Short-Term Loans and Advances | 18 | 1,790.59 | | *1,378.19* |
| (f) Other Current Assets | 19 | 18.26 | | *7.55* |
| | | | 7,894.57 | *8,233.13* |
| TOTAL | | | 20,248.10 | *18,789.33* |

See Significant Accounting Policies and accompanying Notes to the Consolidated Financial Statements

In terms of our report attached

For S.B. BILLIMORIA & CO.
*Chartered Accountants*

Z. F. Billimoria
*Partner*

*Mumbai, 14th May, 2012*

For and on behalf of the Board of Directors

S. R. LOHOKARE
*Managing Director*

S. A. GAIKWAD
*Company Secretary*

NESS N. WADIA — *Chairman*

P. V. KUPPUSWAMY
R. BATRA
J. S. BILIMORIA
D. N. MEHTA
N. P. GHANEKAR
*Directors*

*Mumbai, 14th May, 2012*

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

| | | Note No. | ₹ in Lakhs | ₹ in Lakhs | *2010-2011 ₹ in Lakhs* |
|---|---|---|---|---|---|
| I. | REVENUE FROM OPERATIONS | 21 | | 15,462.01 | *18,234.76* |
| II. | Other Income | 22 | | 194.38 | *150.75* |
| III. | Total Revenue | | | 15,656.40 | *18,385.51* |
| IV. | EXPENSES: | | | | |
| | Cost of Raw Material Consumed | 23 | | 3,360.60 | *2,921.04* |
| | Changes in Inventories | 24 | | 587.42 | *(849.03)* |
| | Employee benefits expenses | 25 | | 1,068.64 | *1,126.40* |
| | Finance cost | 26 | | 40.75 | *73.07* |
| | Depreciation and amortisation expenses | 10 | | 1,002.19 | *840.96* |
| | Other expenses | 27 | | 5,670.11 | *5,778.67* |
| | Total Expenses | | | 11,729.70 | *9,891.11* |
| V. | PROFIT BEFORE TAX (III - IV) | | | 3,926.69 | *8,494.40* |
| VI. | Tax expense: | | | | |
| | – Current tax | | 810.57 | | *2,872.72* |
| | – Deferred tax | 4 | 336.85 | | *(66.00)* |
| | Add: Excess Provision for Taxes of Prior Years | | (6.63) | | *(4.01)* |
| | | | | 1,140.78 | *2,802.71* |
| VII. | PROFIT FOR THE YEAR (V - VI) | | | 2,785.91 | *5,691.69* |
| VIII. | Basic and Diluted Earnings Per Share (₹) (Face Value ₹ 10) | 31 | | 48.48 | *99.04* |

See Significant Accounting Policies and accompanying Notes to the Consolidated Financial Statements

In terms of our report attached

For S.B. BILLIMORIA & CO.
*Chartered Accountants*

Z. F. Billimoria
*Partner*

*Mumbai, 14th May, 2012*

For and on behalf of the Board of Directors

S. R. LOHOKARE
*Managing Director*

NESS N. WADIA — *Chairman*

P. V. KUPPUSWAMY
R. BATRA
J. S. BILIMORIA
D. N. MEHTA
N. P. GHANEKAR
*Directors*

S. A. GAIKWAD
*Company Secretary*

*Mumbai, 14th May, 2012*

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

| | | ₹ in Lakhs | 2010-11 ₹ in Lakhs |
|---|---|---|---|
| **A** | **CASH FLOW FROM OPERATING ACTIVITIES:** | | |
| | Profit Before Tax | 3,926.69 | *8,494.40* |
| | **Adjustments for:** | | |
| | Depreciation | 1,002.19 | *840.96* |
| | Interest expense | 40.75 | *73.07* |
| | Interest income | (70.28) | *(85.65)* |
| | Dividend income | (85.45) | *(57.70)* |
| | Provision for Employee Benefits | 58.68 | *9.68* |
| | Loss/(Profit) on sale of Fixed Assets | 20.38 | *(7.40)* |
| | Deferred Revenue Expenditure amortised | 2.07 | *7.11* |
| | **Operating Profit before Working Capital Changes** | 4,895.03 | *9,274.46* |
| | **Adjustments for (increase)/decrease in operating assets:** | | |
| | Trade Receivables | 271.08 | *(964.47)* |
| | Long-term Loans and Advances | 593.40 | *(625.62)* |
| | Short-term Loans and Advances | (382.81) | *(558.78)* |
| | Term deposits pledged with banks | 1.35 | *(65.43)* |
| | Dividend Account balance with banks | (3.79) | *(2.90)* |
| | Inventories | 743.54 | *(1,049.52)* |
| | **Adjustments for increase/(decrease) in operating liabilities:** | | |
| | Trade Payables | (284.22) | *851.18* |
| | Other Current Liabilities | (279.30) | *307.05* |
| | **Cash generated from operations** | 5,554.28 | *7,165.98* |
| | Less: Taxes paid | (833.53) | *(2,846.87)* |
| | **Net Cash from Operating Activities (A)** | 4,720.75 | *4,319.11* |
| **B** | **CASH FLOW FROM INVESTING ACTIVITIES:** | | |
| | Purchase of Fixed Assets (including Capital Work in Progress) | (3,423.28) | *(2,104.39)* |
| | Sale of Fixed Assets | 7.91 | *16.75* |
| | Interest received | 59.56 | *78.10* |
| | Dividend received | 85.45 | *57.70* |
| | Inter Corporate Deposits placed | (500.00) | *(500.00)* |
| | Inter Corporate Deposits refunded | 500.00 | — |
| | Purchase of Investments in Mutual Fund | (8,027.35) | *(13,047.85)* |
| | Sale of Investments in Mutual Fund | 7,806.76 | *10,997.75* |
| | **Net Cash Used in Investing Activities (B)** | (3,490.95) | *(4,501.94)* |
| **C** | **CASH FLOW FROM FINANCING ACTIVITIES:** | | |
| | Cash Credit | (358.74) | *885.17* |
| | Interest paid | (40.75) | *(73.07)* |
| | Dividend and Tax on Dividend paid | (800.39) | *(669.47)* |
| | **Net Cash (used)/from Financing Activities (C)** | (1,199.88) | *142.63* |
| | **Net Decrease in Cash and Cash equivalents (A+B+C)** | 29.92 | *(40.20)* |
| | Cash and Cash Equivalents — Opening balance | 36.49 | *76.69* |
| | Cash and Cash Equivalents — Closing balance | 66.41 | *36.49* |
| | Cash and Bank Balances — Closing balance (As per Note No. 17) | 167.30 | *134.94* |
| | Less: Deposits with Banks (Pledged as Margin Money) | 76.32 | *77.67* |
| | Less: Current Accounts held for Unclaimed Dividends | 24.57 | *20.78* |
| | Cash and Cash Equivalents — Closing balance | 66.41 | *36.49* |
| | See Significant Accounting Policies and accompanying Notes to the Financial Statements | | |

In terms of our report attached

For S.B. BILLIMORIA & CO.
*Chartered Accountants*

Z. F. Billimoria
*Partner*

*Mumbai, 14th May, 2012*

For and on behalf of the Board of Directors

S. R. LOHOKARE
*Managing Director*

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R. BATRA
J. S. BILIMORIA
D. N. MEHTA
N. P. GHANEKAR
*Directors*

*Mumbai, 14th May, 2012*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Significant Accounting Policies

### (a) Basis of Accounting:

The financial statements are prepared as per historical cost convention and in accordance with the generally accepted accounting principles in India, the provisions of the Companies Act, 1956, and the applicable Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006. All income and expenditure having material bearing on the financial statements are recognised on accrual basis.

### (b) Principles of Consolidation:

(i) The consolidated financial statements have been prepared in accordance with Accounting Standard (AS) 21 'Consolidated Financial Statements' as notified under the Companies (Accounting Standard) Rules, 2006. The consolidated financial statements relate to National Peroxide Limited ('the Company') and its wholly owned subsidiary company.

(ii) The subsidiary considered in the financial statements is –

| Name of the Company | Country of Incorporation | % Voting power held |
|---|---|---|
| | | As at 31.03.2012 and 31.03.2011 |
| Naperol Investments Limited | India | 100% |

### (c) Use of Estimates:

The presentation of the financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities. Such estimates and assumptions are based on management's evaluation of relevant facts and circumstances as on the date of financial statements. The actual outcome may diverge from these estimates.

### (d) Fixed Assets and Depreciation:

- **Tangible fixed assets and depreciation**

Tangible fixed assets acquired by the Company are reported at acquisition value, with deductions for accumulated depreciation and impairment losses, if any.

The acquisition value includes the purchase price (excluding refundable taxes) and expenses directly attributable to the asset to bring it to the site and in the working condition for its intended use. Examples of directly attributable expenses included in the acquisition value are delivery and handling costs, installation, legal services and consultancy services.

Where the construction or development of any such asset requiring a substantial period of time to set up for its intended use, is funded by borrowings, the corresponding borrowing costs are capitalised up to the date when the asset is ready for its intended use.

Depreciation is provided on a straight line basis at rates and in the manner specified in Schedule XIV to the Companies Act, 1956, unless the use of a higher rate or an accelerated charge is justified through technical estimates. Accordingly, certain electronic items are depreciated at 33.33%. Assets costing less than ₹ 5,000 are fully depreciated in the year of purchase. Extra shift depreciation is applied to applicable items of plant and machinery for days additional shifts are worked.

### (e) Impairment of fixed assets:

Consideration is given at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is greater of the net selling price and value in use. Reversal of impairment loss is recognised immediately as income in the Statement of Profit and Loss.

### (f) Deferred Revenue Expenditure:

Monthly pension costs are amortised over the period of payment. (Refer note 5 below).

### (g) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Deferred tax is calculated to correspond to the tax effect arising when final tax is determined. Deferred tax corresponds to the net effect of tax on all timing differences which occur as a result of items being allowed for income tax purposes during a period different from when they were recognised in the financial statements.

Deferred tax assets are recognised with regard to all deductible timing differences to the extent that it is probable that taxable profit will be available against which deductible timing differences can be utilised. When the Company carries forward unused tax losses and unabsorbed depreciation, deferred tax assets are recognised only to the extent there is virtual certainty backed by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced by the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the aggregate deferred tax asset to be utilised.

**(h) Investments:**

Investments are either classified as current or long-term investments. Current investments are carried at lower of cost and market value. Long-term investments are carried at cost of acquisitions, net of diminution in value, if any, which is other than temporary.

**(i) Inventory:**

Inventories are valued at the lower of the cost and the net realisable value.

In the case of raw materials, packing materials and stores and spare parts, cost is determined in accordance with the moving weighted average principle. Costs include the purchase price, non-refundable taxes and delivery and handling costs.

Cost of finished goods is determined using the absorption costing principles. Costs include the cost of materials consumed, labour and a systematic allocation of variable and fixed production overheads. Excise duties at the applicable rates are also included in the cost of finished goods.

Net realisable value is estimated at the expected selling price less estimated completion and selling costs.

Shares and Securities held as Stock-in-trade are valued at the lower of cost and market value.

**(j) Revenue Recognition:**

Sales include products and services, net off trade discounts and exclude sales tax, state value added tax and service tax.

With regard to sale of products, income is reported when practically all risks and rights connected with ownership have been transferred to the buyer. This usually occurs upon dispatch, after the price has been determined and collection of the receivable is reasonably certain.

Revenue from dividend on securities is recognised when the right to receive such dividend is established. Interest on securities is recognised evenly over the period of the instrument.

Interest income is accrued evenly over the period of the instrument.

**(k) Financial Income and Borrowing Cost:**

Financial income and borrowing cost include interest income on bank deposits and interest expense on loans.

Interest income is accrued evenly over the period of the instrument.

Borrowing cost are recognised in the period to which they relate, regardless of how the funds have been utilised, except where it relates to financing of construction or development of assets requiring a substantial period of time to prepare for their intended future use. Interest is capitalised up to the date when the asset is ready for its intended use. The amount of interest capitalised (gross of tax) for the period is determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of accumulated expenditure for the assets during the period.

**(l) Foreign Currency Transactions:**

Transactions in foreign currencies are translated to the reporting currency based on the exchange rate on the date of the transaction. Exchange differences arising on settlement thereof during the year are recognised as income or expenses in the Statement of Profit and Loss.

Cash and bank balances, receivables and liabilities (monetary items) in foreign currencies as at the year end are translated at closing-date rates, and unrealised translation differences are included in the Statement of Profit and Loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

**(m) Employee Benefits:**

**(a) Short-term Employee Benefits**

Short term employee benefits are recognised as an expense at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

**(b) Long-term Employee Benefits**

The Company has both defined-contribution and defined-benefit plans, of which some have assets in special funds or securities. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

**(i) Defined-contribution plans**

Annual contribution payable to the Provident Fund and Superannuation Fund (based on the percentage of salary) are charged as an expense as they fall due, that is, in the same period as the employment gives rise to the contribution. Company also contributes to an established Provident Fund for certain employees where it is obliged to meet the interest shortfall, if any.

**(ii) Defined-benefit plans**

Expenses for defined-benefit gratuity and pension are calculated as at the Balance Sheet date by independent actuaries in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees. Actuarial gains and losses are immediately recognised in the Statement of Profit and Loss.

**(c) Other Employee Benefits**

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be encashed or availed in twelve months immediately following the year end are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits after deducting amounts already paid. Where there are restrictions on availment of encashment of such accrued benefit or where the availment or encashment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

**(n) Segment Reporting:**

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment Revenue, Segment Expenses, Segment Assets and Segment Liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue, expenses, assets and liabilities which relate to the Group as a whole and are not allocable to segments on reasonable basis, have been included under "Unallocated Revenue/Expenses/ Assets/Liabilities".

**(o) Provisions and Contingencies:**

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised but are disclosed in the notes to the financial statement.

**(p) Operating Lease:**

Assets acquired on lease where significant portion of the risks and rewards incidental to ownership are effectively retained by the lessors are classified as operating leases. Lease rentals are charged to the Statement of Profit and Loss on a straight line basis over the lease period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

| | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|
| **2. SHARE CAPITAL** | | |
| AUTHORISED | | |
| 25,000,000 (Previous Year – 25,000,000) Equity Shares of ₹ 10 each | 2,500.00 | *2,500.00* |
| ISSUED, SUBSCRIBED AND PAID-UP | | |
| 5,747,000 (Previous Year – 5,747,000) Equity Shares of ₹ 10 each ..... | 574.70 | *574.70* |

The Company has only one class of shares referred to as equity shares having a par value of ₹ 10 each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. However,no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

In last 5 years, no classes of shares has been issued either by payment being received in cash or brought back nor bonus issues made by the Company.

Followings are the names of the shareholders with numbers of Equity Shares holding more than 5 percent of the total Equity Shares:

| Name of the Shareholders | Numbers of shares 31.03.2012 | *Number of shares 31.03.2011* |
|---|---|---|
| Macrofil Investments Limited | 1,884,065 | *1,884,065* |
| Percentage | 32.78 | 32.78 |
| Solvay S A | 1,442,500 | *1,442,500* |
| Percentage | 25.10 | 25.10 |

| | ₹ in Lakhs | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|---|
| **3. RESERVES AND SURPLUS** | | | |
| CAPITAL REDEMPTION RESERVE | | | |
| Balance as per last Balance Sheet | | 0.02 | *0.02* |
| SPECIAL RESERVE UNDER SECTION 45 IC OF THE RESERVE BANK OF INDIA ACT, 1934 | | | |
| Balance as per last Balance Sheet | 54.29 | | *47.62* |
| Add: Transfer from Surplus in Statement of Profit and Loss | 12.78 | | *6.67* |
| | | 67.07 | *54.29* |
| GENERAL RESERVE | | | |
| Balance as per last Balance Sheet | 2,261.35 | | *1,678.51* |
| Add: Transfer from Surplus in Statement of Profit and Loss | 281.33 | | *582.84* |
| | | 2,542.68 | *2,261.35* |
| SURPLUS IN STATEMENT OF PROFIT AND LOSS BALANCE | | | |
| Opening Balance | 10,103.89 | | *5,787.38* |
| Add: Profit for the year | 2,785.91 | | *5,691.69* |
| Amount available for appropriation | 12,889.79 | | *11,479.07* |
| Less: Proposed Dividend (See Note (i) below) | 689.64 | | *689.64* |
| Less: Tax on Dividend | 118.08 | | *118.78* |
| Less: Additional Tax on Dividend Credit taken (See Note (ii) below) | (4.24) | | *(22.75)* |
| Less: Transfer to General Reserve | 281.33 | | *582.84* |
| Less: Transfer to Special Reserve under Section 45 IC of the Reserve Bank of India Act, 1934 | 12.78 | | *6.67* |
| | | 11,792.21 | *10,103.89* |
| | | 14,401.98 | *12,419.55* |

(i) The Board of Directors at its meeting held on 14th May, 2012 has recommended a dividend of ₹ 12/- per equity share.

(ii) Additional Tax on dividend credit taken, ₹ 4.24 Lakhs (Previous Year ₹ 22.75 Lakhs), pertains to the dividend tax paid by the Subsidiary Company on the dividend paid to Company as per Section 115(O)(1A) of the Income Tax Act, 1961.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

| | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|
| **4. DEFERRED TAXES** | | |
| Deferred tax liability: | | |
| Depreciation on fixed assets | 1,624.04 | *1,268.85* |
| TOTAL | 1,624.04 | *1,268.85* |
| Deferred tax asset: | | |
| Provision for Compensated Absences | (29.89) | *(30.35)* |
| Other Provisions | (18.80) | *—* |
| TOTAL | (48.69) | *(30.35)* |
| Net deferred tax liability | 1,575.35 | *1,238.50* |

The Company has recognised in the Statement of Profit and Loss, the net provision of deferred tax liability of ₹ 336.85 Lakhs (Previous year reversal of Deferred tax liability – ₹ 66 Lakhs).

| | | |
|---|---|---|
| **5. LONG-TERM PROVISIONS** | | |
| Provision for employee benefits | 54.01 | *—* |
| | 54.01 | *—* |
| **6. SHORT-TERM BORROWINGS** | | |
| SECURED BORROWINGS | | |
| Loans Repayable on Demand: | | |
| Cash Credits | 526.43 | *885.17* |
| (Secured by a first charge by way of hypothecation of stocks and book debts and second mortgage of all the Company's immovable properties.) | | |
| | 526.43 | *885.17* |
| **7. TRADE PAYABLES** | | |
| Payable for goods purchased | 826.16 | *1,261.09* |
| Payable for other expenses (includes ₹ 0.05 Lakhs (Previous year ₹ 0.04 Lakhs) due to Micro, Small and Medium Enterprises) | 1,139.05 | *38.72* |
| Payable to Employees | 43.19 | *992.81* |
| | 2,008.39 | *2,292.62* |
| **8. OTHER CURRENT LIABILITIES** | | |
| Advance & Deposits received from Customers | 35.57 | *97.86* |
| Statutory and Other dues | 30.27 | *27.62* |
| Payable in respect of Capital Goods | 81.74 | *230.48* |
| Payable to Gratuity Fund | 31.32 | *102.26* |
| Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 not due: | | |
| Unclaimed Dividends | 24.57 | *20.78* |
| | 203.47 | *479.00* |
| **9. SHORT-TERM PROVISIONS** | | |
| Provision for employee benefits | 96.05 | *91.37* |
| Proposed Dividend: | | |
| Proposed Dividend (Refer to Note No. 3 (i)) | 689.64 | *689.64* |
| Tax on Dividend | 118.08 | *118.78* |
| | 903.77 | *899.79* |

**FOOTNOTE:**

| Amount remitted during the year in Foreign Currency on account of dividend | 31.03.2012 | *31.03.2011* |
|---|---|---|
| 1. Number of Shareholders | 1 | *1* |
| 2. Number of Shares held | 1,442,500 | *1,442,500* |
| 3. Amount remitted (in ₹ Lakhs) | 173.10 | *144.25* |
| 4. Year to which dividend relates | 2010-11 | *2009-10* |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

## 10. FIXED ASSETS

(₹ in Lakhs)

| | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Opening as at 1.04.2011 | Additions during the year | Deductions during the year | Closing as at 31.03.2012 | Upto 31.03.2011 | For the year | Deductions during the year | Upto 31.03.2012 | As at 31.03.2012 | *As at 31.3.2011* |
| Tangible Assets: | | | | | | | | | | |
| Land : Freehold | 5.89 | — | — | 5.89 | — | — | — | — | 5.89 | *5.89* |
| Buildings | 590.06 | — | — | 590.06 | 264.67 | 18.68 | — | 283.35 | 306.71 | *325.39* |
| Plant & Machinery | 16,651.84 | 5,350.37 | 39.27 | 21,962.94 | 9,551.84 | 979.36 | 10.98 | 10,520.22 | 11,442.72 | *7,100.00* |
| Furniture & Fixtures | 74.73 | 0.78 | — | 75.51 | 61.47 | 1.68 | — | 63.15 | 12.36 | *13.26* |
| Office Equipments | 54.13 | 1.87 | — | 56.00 | 39.26 | 2.47 | — | 41.73 | 14.27 | *14.87* |
| Total | 17,376.65 | 5,353.02 | 39.27 | 22,690.40 | 9,917.24 | 1,002.19 | 10.98 | 10,908.45 | 11,781.95 | *7,459.41* |
| *Previous Year* | *17,290.82* | *101.54* | *15.72* | *17,376.65* | *9,082.65* | *840.96* | *6.37* | *9,917.24* | *7,459.40* | |

| | ₹ in Lakhs | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|---|
| **11. NON CURRENT INVESTMENTS** | | | |
| **Investment in Equity Instruments (Long Term):** | | | |
| **Trade Investments (Quoted) at Cost:** | | | |
| 297,940 (Previous year: 297,940) Equity Shares of ₹ 10 each fully paid up in The Bombay Dyeing & Manufacturing Co. .................. | 78.02 | | *78.02* |
| 250,440 (Previous year: 250,440) Equity Shares of ₹ 10 each fully paid up in The Bombay Burmah Trading Corporation Ltd ........... | 23.74 | | *23.74* |
| | | 101.76 | *101.76* |
| **Non-Trade Investments (Quoted) at Cost:** | | | |
| 600 (Previous year: 600) Equity Shares of ₹ 2 each fully paid up in Housing Development Finance Corporation Limited.................... | 0.02 | | *0.02* |
| 2,500 (Previous year: 2,500) Shares of ₹ 2 each fully paid up in HDFC Bank Limited .................................................................... | 0.05 | | *0.05* |
| | | 0.07 | 0.07 |
| | | 101.83 | *101.83* |
| **Aggregate amount of Quoted:** | | | |
| Cost ............................................................................................ | | 101.83 | *101.83* |
| Market Value ................................................................................ | | 3,223.37 | *2,101.55* |

| | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|
| **12. LONG-TERM LOANS AND ADVANCES** | | |
| (Unsecured, considered good) | | |
| Capital Advances................................................................................ | 29.54 | *628.50* |
| Sundry Deposits ................................................................................. | 181.86 | *174.58* |
| Prepaid Expenses ............................................................................... | — | *1.73* |
| | 211.41 | *804.81* |
| **13. OTHER NON CURRENT ASSETS** | | |
| (Unsecured and considered good) | | |
| Deferred Revenue Expenditure*......................................................... | — | *2.07* |
| | — | *2.07* |

**FOOTNOTE:**

* Deferred Revenue Expenditure recognised prior to 1st April, 2003

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

| | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|
| **14. CURRENT INVESTMENTS** | | |
| **Investment in Mutual Fund:** | | |
| **Unquoted (at cost or market value whichever is lower):** | | |
| L147ID SBI – SHF – Ultra Short Term Fund – Institutional Plan – Daily Dividend Nil (Previous Year: 20,488,612.778) Units of ₹ 10 each | — | *2,050.09* |
| L72D SBI Premier Liquid Fund – Institutional – Daily Dividend 59,942.019 (Previous Year: Nil) Units of ₹ 10 each | 601.37 | — |
| L72SG SBI Premier Liquid fund – Super Institutional – Growth 8,904.361 (Previous Year: Nil) Units of ₹ 10 each | 150.00 | — |
| JM Money Manager Fund – Super Plan – Daily Dividend (169) 1,060,690.364 (Previous Year: Nil) Units of ₹ 10 each | 106.21 | — |
| JM Money Manager Fund – Regular Plan – Daily Dividend (167) 531,143.185 (Previous Year: Nil) Units of ₹ 10 each | 53.20 | — |
| JM Money Manager Fund – Super Plus Plan – Daily Dividend (171) 6,079,002.34 (Previous Year: Nil) Units of ₹ 10 each | 608.37 | — |
| B150DD Birla Sun Life Cash Plus – Institutional – Daily Dividend – Reinvestment 695,572.355 (Previous Year: Nil) Units of ₹ 10 each | 751.54 | — |
| | 2,270.68 | *2,050.09* |
| Aggregate Net Asset Value of units in Mutual Funds | 2,270.68 | *2,050.09* |
| **15. INVENTORIES** | | |
| (at lower of Cost and Net Realisable Value) | | |
| Raw Materials (including Goods-in-transit ₹ 60.29 Lakhs (Previous Year – Nil)) | 333.05 | *434.16* |
| Finished Products | 325.42 | *912.52* |
| Stock-in-trade-Shares and Securities (See Footnote below) | 115.13 | *115.45* |
| Stores, Spare Parts, and Packing materials | 437.80 | *492.81* |
| | 1,211.40 | *1,954.94* |
| **FOOTNOTE:** | | |
| **Particulars of Shares and Securities** (Fully paid up) | | |
| (at lower of Cost and Net Realisable Value) | | |
| **Investment in Equity Instruments** (Quoted): | | |
| 81,240 (Previous year: 81,240) Equity Shares of ₹ 10 each fully paid up in The Bombay Dyeing & Manufacturing Co. Limited | 24.60 | *24.60* |
| 841,680 (Previous year: 841,680) Equity Shares of ₹ 10 each fully paid up in The Bombay Burmah Trading Corporation Limited | 88.14 | *88.14* |
| 8 (Previous year: 8) Equity Shares of ₹ 2 each fully paid up in Larsen and Toubro Limited | — | — |
| 3,000 (Previous year: 3,000) Equity Shares of ₹ 10 each fully paid up in Technojet Consultants Limited | — | *0.31* |
| 60 (Previous year: 60) Equity Shares of ₹ 2 each fully paid up in ABB Limited | — | — |
| 56 (Previous year: 56) Equity Shares of ₹ 10 each fully paid up in Tata Chemicals Limited | 0.02 | *0.02* |
| 50 (Previous year: 50) Equity Shares of ₹ 2 each fully paid up in Finolex Cables Limited | — | — |
| 300 (Previous year: 300) Equity Shares of ₹ 10 each fully paid up in ACC Limited | 0.09 | *0.09* |
| 66 (Previous year: 66) Equity Shares of ₹ 1 each fully paid up in Colgate Palmolive India Limited | — | — |
| 233 (Previous year: 233) Equity Shares of ₹ 10 each fully paid up in J. K. Synthetics Limited | — | *0.01* |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

| | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|
| 46 (Previous year: 46) Equity Shares of ₹ 10 each fully paid up in J.K. Cement Limited | — | — |
| 7 (Previous year: 7) Equity Shares of ₹ 10 each fully paid up in ORG Infomatics Limited | — | — |
| 933 (Previous year: 933) Equity Shares of ₹ 10 each fully paid up in ICICI Bank Limited | 0.51 | *0.51* |
| 12 (Previous year: 12) Equity Shares of ₹ 10 each fully paid up in ALSTOM Project India Limited | — | — |
| 1 (Previous year: 1) Equity Shares of ₹ 10 each fully paid up in UltraTech Cement Limited | — | — |
| | 113.37 | *113.69* |
| **Investment in Equity Instruments (Unquoted):** | | |
| 1,000 (Previous year: 1,000) Equity Shares of ₹ 100 each fully paid up in B. R. T. Limited | 1.37 | *1.37* |
| **Investment in Debenture Instruments (Unquoted):** | | |
| 393 (Previous year: 393) Zero% Unsecured Fully Convertible Debentures of ₹ 100 each in Sunflower Investments and Textiles Private Limited | 0.39 | *0.39* |
| | 115.13 | *115.45* |

### 16. TRADE RECEIVABLES

| | | |
|---|---|---|
| (Unsecured, considered good) | | |
| Outstanding for a period exceeding six months from the date they were due for payment | — | — |
| Others | 2,436.34 | *2,707.42* |
| | 2,436.34 | *2,707.42* |

### 17. CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Cash on hand | 0.18 | *1.58* |
| Balances With Banks: | | |
| In Current Account | 2.23 | *4.91* |
| In Deposit Account | 64.00 | *30.00* |
| Other Bank Balances | | |
| In Deposit Account having maturity less than 12 months but more than 3 months (Pledged as Margin Money) | 76.32 | *77.67* |
| In Unpaid Dividend Account | 24.57 | *20.78* |
| | 167.30 | *134.94* |

### 18. SHORT-TERM LOANS AND ADVANCES

| | | |
|---|---|---|
| (Unsecured, considered good) | | |
| Intercorporate Deposits | 500.00 | *500.00* |
| Advance Payment of Taxes (net of provision ₹ 5,555.97 Lakhs [Previous Year – ₹ 5,264.90 Lakhs]) | 145.34 | *115.75* |
| Advance to Employees | 0.26 | *0.45* |
| Sundry Deposits | 61.62 | *72.40* |
| Balances with Excise, Customs, etc | 481.71 | *264.53* |
| Prepaid Expenses | 13.69 | *11.53* |
| Advance for Purchase of Materials | 76.59 | *112.44* |
| Advance for Expenses | 511.38 | *301.09* |
| | 1,790.59 | *1,378.19* |

### 19. OTHER CURRENT ASSETS

| | | |
|---|---|---|
| Interest Accrued but not due on intercorporate and sundry deposits | 18.26 | *7.55* |
| | 18.26 | *7.55* |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

| | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|
| **20. CONTINGENT LIABILITIES AND COMMITMENTS** | | |
| (a) Estimated amount of Contracts remaining to be executed on Capital Account and not provided for .......... | 23.76 | *370.15* |
| (b) Other Commitment<br>The Company has entered into a long term agreement with GAIL (India) Limited (GAIL) for purchase of Natural Gas. The agreement is valid till 30th April, 2028. As per the said agreement, the Company under 'Take or Pay obligation' clause has to make payment for a fixed quantity of gas on an annual basis, whether used or not. However the shortfall can also be adjusted against the next year's consumption. GAIL has the discretion to waive off the said Take or Pay charges. Till date GAIL has not levied such charges and the Company also does not foresee any liability on this account in the near future | | |
| (c) Excise Duties – Pending in appeal-matters decided against the Company (the Company is not estimating any cash outflow relating to this matter).......... | 11.50 | *11.50* |

| | ₹ in Lakhs | 2011-2012 ₹ in Lakhs | *2010-2011 ₹ in Lakhs* |
|---|---|---|---|
| **21. REVENUE FROM OPERATIONS** | | | |
| Sale of Products: | | | |
| Hydrogen Peroxide .......... | 15,928.13 | | *18,915.23* |
| Sodium Perborate .......... | 270.95 | | *300.18* |
| Hydrogen Gas.......... | 648.50 | | *737.47* |
| GROSS TOTAL | 16,847.58 | | *19,952.88* |
| Less: Excise duty.......... | 1,516.62 | | *1,789.77* |
| TOTAL | | 15,330.96 | *18,163.11* |
| Dividend on Stock in Trade .......... | | 62.01 | *31.69* |
| Other Operating Revenue: | | | |
| Sale of Scrap.......... | | 44.39 | *8.03* |
| Trade payable written back (Net).......... | | 22.60 | *11.53* |
| Discount received.......... | | 1.94 | *—* |
| Insurance Claims.......... | | 0.11 | *20.40* |
| | | 15,462.01 | *18,234.76* |
| **22. OTHER INCOME** | | | |
| Interest income from Banks on Fixed Deposits.......... | | 8.13 | *10.89* |
| Interest income from Intercorporate Deposits.......... | | 51.71 | *54.85* |
| Other Interest income .......... | | 10.44 | *19.91* |
| Dividends | | | |
| On Trade Investments (Long Term) .......... | 27.96 | | *16.21* |
| On Other Investments (Current) .......... | 57.49 | | *41.49* |
| | | 85.45 | *57.70* |
| Profit on Sale of Assets .......... | | — | *7.40* |
| Foreign Exchange Fluctuation (Net).......... | | 3.66 | *—* |
| Deposits written back (Net).......... | | 35.00 | *—* |
| | | 194.38 | *150.75* |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

| | ₹ in Lakhs | 2011-2012 ₹ in Lakhs | *2010-2011 ₹ in Lakhs* |
|---|---|---|---|
| **23. COST OF RAW MATERIAL CONSUMED** | | | |
| Opening Stock | | 434.16 | *333.36* |
| Add: Purchases | | 3,342.70 | *3,021.84* |
| | | 3,776.86 | *3,355.20* |
| Less: Capitalisation of Cost of Material consumed during expansion | | 83.21 | *—* |
| | | 3,693.65 | *3,355.20* |
| Less: Closing Stock | | 333.05 | *434.16* |
| Cost of material consumed | | 3,360.60 | *2,921.04* |
| Material consumed comprises (Net of Capitalisation) | | | |
| Natural Gas | | 2,001.05 | *2,180.71* |
| Solvents and Chemicals | | 918.16 | *532.24* |
| Others | | 441.39 | *208.09* |
| | | 3,360.60 | *2,921.04* |
| **24. CHANGES IN INVENTORIES** | | | |
| Opening balance of the inventory | | | |
| Hydrogen Peroxide | 902.22 | | *54.22* |
| Sodium Perborate | 10.30 | | *9.27* |
| Shares and Securities (Refer to Note No. 15) | 115.45 | | *115.45* |
| Closing balance of the inventory | | 1,027.97 | *178.94* |
| Hydrogen Peroxide | 322.05 | | *902.22* |
| Sodium Perborate | 3.37 | | *10.30* |
| Shares and Securities (Refer to Note No. 15) | 115.13 | | *115.45* |
| | | 440.55 | *1,027.97* |
| Net (Increase)/Decrease in Inventories | | 587.42 | *(849.03)* |
| **25. EMPLOYEE BENEFITS EXPENSES** | | | |
| Salaries, Wages and Other Benefits | | 1,021.12 | *819.79* |
| Contributions to Provident and Other Funds (Refer to Note No. 28) | | 109.96 | *190.90* |
| Workmen and Staff Welfare Expenses | | 150.55 | *115.71* |
| | | 1,281.63 | *1,126.40* |
| Less: Amount capitalised during the year | | 212.99 | *—* |
| | | 1,068.64 | *1,126.40* |
| **26. FINANCE COSTS** | | | |
| Interest on Borrowings | | 7.87 | *7.22* |
| Discounting Charges | | 32.88 | *65.85* |
| | | 40.75 | *73.07* |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

| | ₹ in Lakhs | 2011-2012 ₹ in Lakhs | *2010-2011 ₹ in Lakhs* |
|---|---|---|---|
| **27. OTHER EXPENSES** | | | |
| MANUFACTURING, ADMINISTRATION AND SELLING EXPENSES: | | | |
| Excise Duty (Relating to Closing Stock) | (103.82) | | *138.35* |
| Insurance | 38.67 | | *33.19* |
| Rent | 16.37 | | *21.88* |
| Rates and Taxes | 40.34 | | *20.64* |
| Commission and Discount | 29.74 | | *30.07* |
| Packing and Containers | 1,283.35 | | *1,486.96* |
| Power, Fuel and Water | 1,974.71 | | *1,948.45* |
| Stores and Spare Parts Consumed | 598.00 | | *338.42* |
| Repairs and Maintenance – Buildings | 3.88 | | *2.34* |
| Repairs and Maintenance – Machinery | 427.56 | | *288.95* |
| Freight Outward | 1,018.37 | | *1,030.98* |
| Sundry Expenses | 388.87 | | *327.72* |
| | | 5,716.04 | *5,667.95* |
| Auditors' Remuneration: | | | |
| (i) Audit Fees | 7.00 | | *7.00* |
| (ii) Other Matters | 2.65 | | *4.00* |
| (iii) Out of Pocket Expenses | 0.14 | | *0.19* |
| (iv) Service Tax (Excluding ₹ 1.16 Lakhs (Previous Year ₹ 1.15 Lakhs) which is claimed as input credit) | — | | *—* |
| | | 9.79 | *11.19* |
| Bad Debts | | 1.27 | *—* |
| Loss on Sale of Fixed Assets | | 20.38 | *—* |
| Deferred Revenue Expenditure (Written-off) | | 2.07 | *7.11* |
| Commission to Non Executive Directors | 41.14 | | *88.29* |
| Less: Reversal of previous year excess commission | (23.29) | | *—* |
| | | 17.85 | *88.29* |
| Directors' Sitting Fees | | 9.31 | *4.13* |
| | | 5,776.70 | *5,778.67* |
| Less: Amount capitalised during the year | | 106.59 | *—* |
| | | 5,670.11 | *5,778.67* |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

| | As at 2011-12 ₹ in Lakhs | *As at 2010-11 ₹ in Lakhs* |
|---|---|---|
| **28. Employee Benefits Obligations** | | |
| **(a) The Group has recognised the following amounts in the Statement of Profit and Loss as contribution under defined contribution schemes** | | |
| (i) Provident Fund | 59.02 | *50.95* |
| (ii) Superannuation Fund | 33.02 | *33.85* |
| (iii) ESIC | 0.11 | *0.36* |
| **(b) Details of gratuity plan are as follows:** | | |
| **The amounts recognised in the Balance Sheet are as follows:** | | |
| (i) Present value of funded obligations | 487.04 | *454.55* |
| (ii) Fair value of plan assets | (455.73) | *(352.29)* |
| **Amounts in the Balance Sheet** | | |
| Liabilities | (31.31) | *102.26* |
| Assets | — | — |
| **The amounts recognised in the statement of Profit and Loss are as follows:** | | |
| (i) Current service cost | 20.01 | *14.86* |
| (ii) Interest on obligation | 33.88 | *24.86* |
| (iii) Expected return on plan assets | (25.58) | *(26.07)* |
| (iv) Net actuarial losses/(gains) recognised in year | 3.00 | *68.05* |
| (v) Past service cost | — | *20.56* |
| (vi) Expenses recognized in the statement of Profit and Loss | 31.31 | *102.26* |
| **Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:** | | |
| (i) Opening defined benefit obligation | 454.55 | *326.52* |
| (ii) Service cost | 20.01 | *14.86* |
| (iii) Interest cost | 33.88 | *24.86* |
| (iv) Actuarial losses/(gains) | 10.62 | *70.07* |
| (v) Past service cost | — | *20.56* |
| (vi) Benefits paid | (32.02) | *(2.32)* |
| (vii) Closing defined benefit obligation | 487.04 | *454.55* |
| **Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:** | | |
| (i) Opening fair value of plan assets | 352.29 | *334.35* |
| (ii) Expected return | 25.58 | *26.07* |
| (iii) Actuarial losses/(gains) | 7.61 | *2.02* |
| (iv) Contribution by employer | 102.26 | *(7.83)* |
| (v) Benefits paid | (32.02) | *(0.02)* |
| (vi) Closing fair value of plan assets | 455.72 | *354.59* |
| The major categories of plan assets as a percentage of total plan assets are as follows: | | |
| **Category of Assets** | 2011-12 | *2010-11* |
| (i) Government of India Securities | 18% | *22%* |
| (ii) Corporate Bonds | 11% | *31%* |
| (iii) Special Deposit Scheme | 24% | *31%* |
| (iv) Others | 47% | *16%* |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

| | 2011-12 | *2010-11* |
|---|---|---|
| Principal actuarial assumptions at the Balance Sheet date are as follows: | | |
| (i) Discount rate at 31st March | 8.60% p.a. | *8.10% p.a.* |
| (ii) Expected return on plan assets at 31st March | 8.50% p.a. | *8.50% p.a.* |
| (iii) Rate of increase in compensation | | |
| – Management | 9.00% p.a. | *9.00% p.a.* |
| – Non-Management | 6.00% p.a. | *6.00% p.a.* |
| (iv) Leaving of service | | |
| 21 to 44-age | 2.00% p.a. | *2.00% p.a.* |
| 45 to 59-age | 1.00% p.a. | *1.00% p.a.* |

The amounts of the present value of the obligation, fair value of plan assets, surplus or deficit in the plan, experience adjustment, arising on plan liabilities and plan assets for the previous five annual periods.

| | *2007-08* *₹ in Lakhs* | *2008-09* *₹ in Lakhs* | *2009-10* *₹ in Lakhs* | *2010-11* *₹ in Lakhs* | 2011-12 ₹ in Lakhs |
|---|---|---|---|---|---|
| Defined Benefit Obligation | *278.33* | *337.74* | *326.52* | *454.55* | 487.04 |
| Plan Assets | *245.95* | *284.72* | *334.35* | *352.29* | 455.73 |
| Surplus/(Deficit) | *(32.38)* | *(0.53)* | *0.08* | *(102.26)* | (31.31) |
| Experience Adjustment on Plan Liabilities | *12.10* | *17.20* | *12.94* | *72.97* | 24.92 |
| Experience Adjustment on Plan Assets | *27.37* | *2.40* | *3.11* | *2.02* | 7.61 |

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

The contribution expected to be made by the Company during the financial year 2012-13 is ₹ 50 lakhs.

**(c) Details of the Pension plan are as follows:**

The Company has a scheme whereby pension is payable to certain categories of employees based on the number of years of service upto a specified period after retirement.

The amounts recognised in the Balance Sheet are as follows:

| | As at 2011-12 ₹ in Lakhs |
|---|---|
| (i) Present value of funded obligations | 57.96 |
| (ii) Fair value of plan assets | — |
| **Amounts in the Balance Sheet** | |
| Liabilities | 57.96 |
| Assets | — |
| **The amounts recognised in the Statement of Profit and Loss are as follows:** | |
| (i) Current service cost | 1.94 |
| (ii) Interest on Defined benefit obligation | 4.67 |
| (iii) Expected return on plan assets | — |
| (iv) Net actuarial losses/(gains) recognised in year | (1.97) |
| (v) Past service cost | — |
| (vi) Expenses recognized in the statement of Profit and Loss | 4.64 |

| | As at 2011-12 ₹ in Lakhs |
|---|---|
| **Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:** | |
| (i) Opening defined benefit obligation | 58.17 |
| (ii) Service cost | 1.94 |
| (iii) Interest cost | 4.67 |
| (iv) Actuarial losses/(gains) | (1.97) |
| (v) Past service cost | — |
| (vi) Benefits paid | (4.85) |
| (vii) Closing defined benefit obligation | 57.96 |
| **Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:** | |
| (i) Opening fair value of plan assets | — |
| (ii) Expected return | — |
| (iii) Actuarial losses/(gains) | — |
| (iv) Contribution by employer | 4.85 |
| (v) Benefits paid | (4.85) |
| (vi) Closing fair value of plan assets | — |
| Principal actuarial assumptions at the Balance Sheet date are as follows: | 2011-12 |
| (i) Discount rate at 31st March | 8.60% p.a. |
| (ii) Rate of increase in compensation | 6.00% p.a. |
| The amounts of the present value of the obligation, fair value of plan assets, surplus or deficit in the plan, experience adjustment, arising on plan liabilities and plan assets are as follows: | As at 2011-12 ₹ in Lakhs |
| Defined Benefit Obligation | 57.96 |
| Plan Assets | — |
| Surplus/(Deficit) | (57.96) |
| Experience Adjustment on Plan Liabilities | — |
| Experience Adjustment on Plan Assets | — |

## 29. Related Party disclosures

Related party disclosures, as required by AS-18 "Related Party Disclosures" as notified under the Companies (Accounting Standard) Rules, 2006, are given below:

| Key Management Personnel | Nature of Relationship | Nature of Transactions | 2011-12 ₹ in Lakhs | *2010-11 ₹ in Lakhs* |
|---|---|---|---|---|
| Mr. S. R. Lohokare | Managing Director | Remuneration for the year | 174.74 | *141.97* |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

## 30. Segment Information

Segment Information based on the guiding principles given in Accounting Standard on 'Segment Reporting' (AS-17) as notified under the Companies (Accounting Standard) Rules, 2006.

| Information about Primary Business Segments | 31.03.2012 ₹ in Lakhs | *31.03.2011 ₹ in Lakhs* |
|---|---|---|
| 1. SEGMENT REVENUE | | |
| Peroxygen | 15,438.66 | *18,203.07* |
| Others | 65.18 | *31.69* |
| Unallocated | 152.56 | *150.75* |
| Total Revenue | 15,656.40 | *18,385.51* |
| 2. SEGMENT RESULTS | | |
| (Profit before Interest and Tax) | | |
| Peroxygen | 3,771.41 | *8,385.48* |
| Others | 63.85 | *31.25* |
| Unallocated: | | |
| Interest Paid | (40.75) | *(73.07)* |
| Other Income | 152.56 | *143.35* |
| Profit/(Loss) on sale of assets | (20.38) | *7.40* |
| | 91.43 | *77.68* |
| Profit before Taxes | 3,926.69 | *8,494.41* |
| Less: Provision for taxes | (1,140.78) | *(2,802.71)* |
| Profit after Taxes | 2,785.91 | *5,691.70* |
| 3. OTHER INFORMATION | | |
| (i) SEGMENT ASSETS: | | |
| Peroxygen | 17,547.51 | *16,372.79* |
| Others | 182.05 | *148.88* |
| Unallocated | 2,518.54 | *2,267.67* |
| Total | 20,248.10 | *18,789.34* |
| (ii) SEGMENT LIABILITIES: | | |
| Peroxygen | 2,361.42 | *2,771.34* |
| Others | 0.50 | *0.28* |
| Unallocated | 2,909.50 | *3,023.47* |
| Total | 5,271.42 | *5,795.09* |
| (iii) CAPITAL EXPENDITURE: | | |
| Peroxygen | 3,423.28 | *2,709.88* |
| Others | — | — |
| Unallocated | — | — |
| Total | 3,423.28 | *2,709.88* |
| (iv) DEPRECIATION: | | |
| Peroxygen | 1,002.19 | *840.96* |
| Others | — | — |
| Unallocated | — | — |
| Total | 1,002.19 | *840.96* |
| (v) NON CASH EXPENDITURE OTHER THAN DEPRECIATION: | | |
| Peroxygen | 1.27 | — |
| Others | — | — |
| Unallocated | 20.38 | — |
| Total | 21.64 | — |

Notes:-

(1) The Group has considered business segment as the primary segment for disclosure. The Group is currently organised into two operative divisions. These divisions on the basis of which the Group reports its primary segment information are as under:

1. Manufacturing of Peroxygens and Hydrogen Gas.
2. Others comprising of investing activities.

(2) The Group does not have secondary Segment as it operates significantly within India.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

**31. Earning Per Share:**

| | | 2011-2012 | *2010-2011* |
|---|---|---|---|
| a. | Net profit for the year (₹ in Lakhs) | 2,785.91 | *5,691.69* |
| b. | Number of equity shares of face value of ₹ 10 each | 5,747,000 | *5,747,000* |
| c. | Basic and Diluted Earnings Per Share on the above (₹) | 48.48 | *99.04* |

**32.** The Group has taken motor vehicles on operating lease for a period of four years. The particulars in respect of such leases are as follows:

| | | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|---|
| (a) | Total of minimum lease payments for a period: | | |
| | – Not later than one year | 15.29 | *12.04* |
| | – Later than one year but not later than five years | 22.49 | *20.41* |
| | – Later than five years | — | — |
| (b) | Lease payments recognised in the statement of Profit and Loss for the year | 12.72 | *9.39* |

**33. Foreign Currency Exposures:**

The Company has not taken any derivative instrument during the year and there is no derivative instrument outstanding as at the year end. The year end foreign currency exposures that were not hedged by a derivative instrument, or otherwise are given below.

Amounts payable in foreign currency on account of the following:

| Particulars | 2011-12 | | *2010-11* | |
|---|---|---|---|---|
| | (₹ in Lakhs) | (Fx in Lakhs) | *(₹ in Lakhs)* | *(Fx in Lakhs)* |
| Import of goods and services | 60.29 | USD 1.17 | *69.28* | *USD 1.57* |
| | — | — | *74.36* | *EUR 1.17* |

Note : Fx = Foreign Currency; USD = US Dollar, EUR = Euro

**34.** The Revised Schedule VI has become effective from 1st April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

For and on behalf of the Board of Directors

S. R. LOHOKARE
*Managing Director*

NESS N. WADIA — *Chairman*

P. V. KUPPUSWAMY
R. BATRA
J. S. BILIMORIA
D. N. MEHTA
N. P. GHANEKAR
— *Directors*

S. A. GAIKWAD
*Company Secretary*

*Mumbai, 14th May, 2012*

# NAPEROL INVESTMENTS LIMITED

## DIRECTORS' REPORT TO THE MEMBERS

The Directors hereby present their Annual Report on the business and operations of the Company and the financial accounts for the year ended 31st March, 2012.

**1. FINANCIAL RESULTS**

| | For the year ended 31st March, 2012 (₹) | *For the year ended 31st March, 2011 (₹)* |
|---|---|---|
| Operating Profit for the year | 63,85,141 | *34,02,332* |
| Less : Provision for Tax | 57,000 | *72,000* |
| Profit after Tax | 63,28,141 | *33,30,332* |
| Add : Profit brought forward from previous year | 62,474 | *7,06,665* |
| Profit Available For Appropriation | 63,90,615 | *40,36,997* |
| Appropriations: | | |
| Proposed Dividend | 38,25,000 | *25,50,000* |
| Corporate Dividend Tax | 6,20,511 | *4,23,523* |
| Transferred to General Reserve | 6,33,000 | *3,34,000* |
| Transferred to Regulated Reserve Fund (NBFC) | 12,78,000 | *6,67,000* |
| Balance carried to Balance Sheet | 34,104 | *62,474* |
| | 63,90,615 | *40,36,997* |

**2. DIVIDEND**

Considering the Company's performance, the Board of Directors recommends a dividend of ₹150/- per equity share of ₹ 100/- each for the year ended 31st March, 2012 to be paid, if declared by the members at the forthcoming Annual General Meeting.

**3. FIXED DEPOSITS**

No deposits from the Public were accepted and were outstanding with the Company during the year ended 31st March, 2012.

**4. DIRECTORS**

Mr. S. S. Kelkar retires by rotation and being eligible offers himself for re-appointment.

**5. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that -

i. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;

ii. they have, in selection of the accounting policies, consulted the statutory auditors and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the profit of the Company for the year ended 31st March, 2012;

iii. that they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. that they have prepared the annual accounts on a going concern basis.

**6. DISCLOSURE OF PARTICULARS PERTAINING TO CONSERVATION OF ENERGY ETC.**

The information to be provided pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is not applicable as your Company is engaged only in the business of investments.

**7. PARTICULARS OF EMPLOYEES**

The Company had no employee of the category mentioned in Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

**8. AUDITORS**

Members are requested to appoint M/s. Nanubhai & Co., Chartered Accountants, as Auditors for the current year at remuneration to be fixed by the Board of Directors.

**9. INTERNAL AUDIT SYSTEM**

There were insignificant transactions during the year under report. Therefore the Company does not deem it necessary to have an internal audit system.

**10. COMPLIANCE CERTIFICATE FROM PRACTICING COMPANY SECRETARY**

M/s. Nilesh G. Shah were appointed to carry out Secretarial Audit as required u/s 383A of the Companies Act, 1956. The compliance certificate of the said Secretary in whole-time practice is attached to this report.

On behalf of the Board of Directors

(S. S. KELKAR)
*Chairman*

*Mumbai, 20th April, 2012*

## COMPLIANCE CERTIFICATE

[under rule 3 of the Companies (Compliance Certificate) Rules, 2001]

To,
The Members
**NAPEROL INVESTMENTS LIMITED**
MUMBAI

We have examined the necessary registers, records, books and papers of Naperol Investments Limited ('the Company') as required to be maintained under the Companies Act, 1956 ("the Act") and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2012. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure "A" to this certificate, as per the provisions of the Act and the rules made thereunder, and wherever required all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure "B" to this certificate, with the Registrar of Companies, Maharashtra, Mumbai, with additional filing fees in case of delay. However, no forms or returns were required to be filed with the Regional Director, Central Government, Company Law Board or other authorities.
3. The Company was deemed Public Limited Company under erstwhile section 43A (1) of the Companies Act, 1956 and has the minimum prescribed paid-up capital and its maximum number of members are two. As National Peroxide Limited holds 100% of the paid-up capital of the Company and since provisions of Section 43A are deleted by the Companies (Amendment) Act, 2000, the Company is yet to increase number of shareholders to Seven and convert itself into a Public Limited within the meaning of Section 3(1)(iv) of the Act and to delete inconsistent clause(s) in the Articles of Association of the Company.
4. The Board of Directors duly met 4 (four) times for the meetings held on 06.04.2011, 08.08.2011, 11.11.2011, and 08.02.2012 respectively, in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company was not required to close and has not closed its Register of Members during the financial year under review and consequently compliance u/s 154 of the Act is not required.
6. The Annual General Meeting for the financial year ended on 31st March, 2011 was held on 24th June, 2011 after giving due notice to the members

# NAPEROL INVESTMENTS LIMITED

of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.

7. No Extra Ordinary General Meetings were held during the financial year under review.
8. The Company has not advanced any loans to its directors and / or persons or firms or companies referred to in Section 295 of the Act, during the financial year under review.
9. The Company has not entered into any Contracts in violation of the provision of Section 297 of the Act during the financial year under review.
10. The Company has made necessary entries in the register maintained under Section 301 of the Act.
11. There are no appointments or contracts in respect of holding an office or place of profit within the meaning of Section 314 of the Act and accordingly the Company was not required to obtain any approval from the Board of Directors, Members and the Central Government.
12. The Company has not issued any duplicate share certificates during the financial year under review.
13. During the financial year under review:
    (i) there was no allotment /transfer /transmission of securities;
    (ii) paid the amount of dividend within statutory time limits and hence the Company has not deposited the amount of declared dividend in a separate Bank Account;
    (iii) paid the amount of dividend declared within the statutory time limit from the date of declaration of such dividend and hence no warrants were required to be posted to the members;
    (iv) there are no unpaid dividend, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid and are required to be transferred to Investor Education and Protection Fund;
    (v) the Company has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. The appointment of additional director was duly made in compliance with the provisions of the act. There was no further appointment of alternate directors and directors to fill casual vacancy, during the financial year under review.
15. The Company has not appointed any Managing Director/Whole-time Director / Manager during the financial year under review.
16. The Company has not appointed any sole-selling agents during the financial year under review.
17. The Company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such other authorities as prescribed under the various provisions of the Act and the rules made thereunder.
18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares/debentures/other securities during the financial year under review.
20. The Company has not bought back any shares during the financial year under review.
21. The Company has not issued any preference shares /debentures and consequently there is no redemption of preference shares / debentures during the year under review.
22. There were no transactions necessitating the Company to keep in abeyance the right to dividend, right shares and bonus shares pending registration of transfer of the shares during the financial year under review.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of the provisions of Sections 58A and 58AA read with Companies (Acceptance of Deposit) Rules, 1975 during the year under review.
24. The Company has not borrowed any amount from directors, public financial institutions, banks and others during the financial year under review, in violation of provisions of Section 293(1)(d) of the Act.
25. The Company has not made any loans or given guarantees or provided securities during the year under review. It may be noted that the Company has retained investments in other bodies corporate in compliance with the provisions of the Act and has made necessary entries in the register kept for the purpose.
26. The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from one state to another during the year under review.
27. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the financial year under review.
28. The Company has not altered the provisions of the memorandum with respect to name of the Company during the financial year under review.
29. The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the financial year under review.
30. The Company has not altered any provisions of its Articles of Association during the financial year under review.
31. There was no prosecution initiated against or show cause notices received by the Company for alleged offences under the Act and no fines and penalties or any other punishment was imposed on the Company during the financial year.
32. As explained to us, the Company has not received any amount as security from its employees during the financial year under certification in terms of the provisions of Section 417(1) of the Act.
33. The Company has no outstanding amount to be deposited with prescribed authorities under the provisions of Section 418 of the Act.

(NILESH G. SHAH)
*Company Secretary*
(FCS - 4554)
C.P. No.: 2631

*Place : Mumbai*
*Date : 20th April, 2012*

## Annexure A

| Sr. No. | Registers maintained by the Company | Under Section |
|---|---|---|
| 1. | Register of Members | 150 |
| 2. | Minutes Books of the proceedings of the Meetings of the Board of Directors and of the Members | 193 |
| 3. | Register of contracts, companies and firms in which directors are interested | 301 |
| 4. | Register of Directors, Managers and Secretary | 303 |
| 5. | Register of Directors Shareholding | 307 |
| 6. | Register of Charges | 143 |
| 7. | Register of Investments, Loans, etc. | 372A |
| 8. | Register of Directors Attendance | Voluntary |
| 9. | Register of Share Transfer | Voluntary |
| 10. | Register of Share Application and Allotment | Voluntary |

(NILESH G. SHAH)
*Company Secretary*
(FCS - 4554)
C.P. No.: 2631

*Place : Mumbai*
*Date : 20th April, 2012*

## Annexure B

| Sr. No. | Form No. / Return | Filed Under Section | Purpose | Date of Filing and SRN |
|---|---|---|---|---|
| 1. | Form No. 32 Dtd: 28.02.2011 | 303(2) | For Appointment of Mr. Jairaj Bham as Additional Director & Resignation of Mr. R. S. Gandhi | 12.04.2011 B09826108 |
| 2. | Form No. 32 Dtd: 06.04.2011 | 303(2) | For Appointment of Mr. Durgesh Mehta as Additional Director & Resignation of Mr. Jairaj Bham | 26.04.2011 B10784056 |
| 3. | Form No. 66 (Compliance Certificate) Dtd: 31.03.2011 | 383A | As per Companies (Compliance Certificate) Rules, 2001 | 27.06.2011 P68023076 |
| 4. | Form No. 32 Dtd: 24.06.2011 | 303(2) | For Re-appointment of Mr. Durgesh Mehta as Director in AGM | 26.08.2011 B19057033 |
| 5. | Form No. 20B (Annual Return) Dtd: 24.06.2011 | 159, 160, 161 | As per requirement of the Act. | 31.08.2011 P69809515 |
| 6 | Form No. 23AC / 23ACA (Annual Accounts) Dtd: 31.03.2011 | 210 | As per requirement of the Act. | 15.10.2011 P72908197 |

(NILESH G. SHAH)
*Company Secretary*
(FCS - 4554)
C.P. No.: 2631

*Place : Mumbai*
*Date : 20th April, 2012*

# NAPEROL INVESTMENTS LIMITED

**AUDITORS' REPORT**
**TO THE MEMBERS OF NAPEROL INVESTMENTS LIMITED**

1. We have audited the attached Balance Sheet of **NAPEROL INVESTMENTS LIMITED**, ("the Company") as at 31st March, 2012, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
   (i) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
   (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
   (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
   (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
      (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
      (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations from the Directors, taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2012 from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956.

For NANUBHAI & CO.
*Chartered Accountants*
(Registration No. 106874W)

Abhay D. Desai
*Partner*
Membership No. 43505

*Mumbai, April 20, 2012*

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**ANNEXURE TO THE AUDITORS' REPORT**

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

I. FIXED ASSETS:
   (a) As per the information and explanation given there are no fixed assets the question of quantitative details and situation of fixed assets does not arise.
   (b) As there are no fixed assets the question of physical verification of fixed assets does not arise.
   (c) The question of substantial part of fixed assets have been disposed off during the year does not arise in absence of any fixed assets for its going concern.

II. INVENTORIES:
As explained to us, the Company has no inventory therefore the question of physical verification of inventories and the procedure to be followed and maintenance of records and treatment of discrepancies etc. by the management at regular intervals during the year does not arise.

III. LOANS AND ADVANCES:
   (a) According to information and explanation given to us, the Company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 (1 of 1956). Therefore the question of prejudicial terms of such loans etc., repayment of loans, interest, overdue amounts etc. does not arise.
   (b) The Company has not taken any loan secured or unsecured from other parties covered in the register maintained under Section 301 of the Companies Act, 1956 (1 of 1956). Therefore the question of prejudicial terms of such loans etc., repayment of loans, interest, overdue amounts etc. does not arise.

IV. INTERNAL CONTROL:
In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business. During the course of our examination no major weakness in internal control had come to our notice.

V. RELATED PARTIES:
Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that there are no related party transactions involved during the year so question of particulars of contracts or arrangements referred to in Section 301 of the Act does not arise.

VI. FIXED DEPOSITS:
In our opinion and according to the information and explanations given to us the Company has complied with the provisions of Section 58 A, Section 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed there under in respect of acceptance of deposits from the public. According to the information and explanations given to us, the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal has not passed any order on the Company in respect of the aforesaid deposits. There are no fixed deposits received from the public during the year.

VII. INTERNAL AUDIT SYSTEM:
The Company does not have an Internal Audit System. According to the information and explanations given to us, having regard to the size of the Company and the nature of its business, the Management does not consider it necessary to have an internal audit system for the Company.

VIII. As explained to us, the maintenance of cost records has not been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 in respect of the Company's products.

IX. IN RESPECT OF STATUTORY DUES:
   (a) According to the records of the Company, 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 applicable to it have been generally deposited regularly with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2012 for a period of more than six months from the date of becoming payable.
   (b) According to the information and explanations given to us, there are no amounts of disputed statutory dues that have not been deposited on account of matters pending before appropriate authorities.

OTHERS:

X. The Company has no accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and immediately preceding financial year.

XI. On the basis of the records examined by us and the information and explanations given to us, the Company has no borrowing from banks/financial institution hence the question of default in repayment of dues to financial institutions or banks does not arise.

XII. As explained to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and any other securities;

XIII. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore, the provision of clause 4 (xiii) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.

XIV. The Company is not a dealer or trader in shares, securities, debentures and other investments.

XV. According to the information and explanations given to us, and the representations made by the management, the Company has not given any guarantee for loans taken by others from any bank or financial institutions.

XVI. On the basis of the records examined by us and the representation made by the management, no term loans have been obtained during the year.

XVII. According to the information and explanations given to us and on an overall examination of the financial statements of the Company and after placing reliance on the reasonable assumptions made by the Company for classification of long term and short term usages of funds, we are of the opinion that, prima-facie, short-term funds have not been utilised for long term investment.

XVIII. According to the information and explanation given to us, the Company has not made any preferential allotment of share to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.

XIX. On the basis of records and documents examined by us, the Company has not issued debentures during the year.

XX. During the year covered by our report, the Company has not raised any money by way of public issue.

XXI. During the course of our examination of the books of account and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have not come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For NANUBHAI & CO.
*Chartered Accountants*
(Registration No. 106874W)

Abhay D. Desai
*Partner*
Membership No. 43505

*Mumbai, April 20, 2012*

# NAPEROL INVESTMENTS LIMITED

## BALANCE SHEET AS AT 31ST MARCH, 2012

| | Note No. | ₹ in Lakhs | ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|---|---|
| **(A) EQUITIES AND LIABILITIES :** | | | | |
| 1 SHAREHOLDERS' FUNDS | | | | |
| (a) Share Capital | 2 | 25.50 | | *25.50* |
| (b) Reserves and Surplus | 3 | 111.61 | | *92.78* |
| | | | 137.11 | *118.28* |
| 2 NON-CURRENT LIABILITIES | | | — | — |
| 3 CURRENT LIABILITIES | | | | |
| (a) Trade Payables | 4 | 0.49 | | *0.27* |
| (b) Short-Term Provisions | 5 | 45.15 | | *30.33* |
| | | | 45.64 | *30.60* |
| TOTAL | | | 182.75 | *148.88* |
| **(B) ASSETS :** | | | | |
| 1 NON-CURRENT ASSETS | | | — | — |
| 2 CURRENT ASSETS | | | | |
| (a) Inventories | 6 | 115.13 | | *115.45* |
| (b) Cash and Cash Equivalent | 7 | 65.31 | | *33.42* |
| (c) Short-Term Loans and Advances | 8 | 0.01 | | *0.01* |
| (d) Other Current Assets | 9 | 2.30 | | – |
| | | | 182.75 | *148.88* |
| TOTAL | | | 182.75 | *148.88* |

See Significant Accounting Policies and accompanying Notes to the Financial Statements

In terms of our report attached.

For Nanubhai & Co.
*Chartered Accountants*

Abhay D. Desai
*Partner*

*Mumbai, 20th April, 2012*

For and on behalf of the Board of Directors

S. S. KELKAR
D. N. MEHTA
S. R. LOHOKARE
*Directors*

*Mumbai, 20th April, 2012*

# NAPEROL INVESTMENTS LIMITED

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

| | Note No. | ₹ in Lakhs | ₹ in Lakhs | *2010-2011* *₹ in Lakhs* |
|---|---|---|---|---|
| **I. Revenue from Operations** | 10 | | 65.18 | *34.46* |
| **II. Total Revenue** | | | 65.18 | *34.46* |
| **III. Expenses :** | | | | |
| Changes in Inventories | 11 | | 0.32 | — |
| Other expenses: | | | | |
| Auditors' Remuneration: | | | | |
| Audit Fees | | 0.30 | | *0.25* |
| Other Matters | | 0.10 | | *0.10* |
| | | | 0.40 | *0.35* |
| Legal & Professional Charges | | | 0.47 | *0.03* |
| General Expenses | | | 0.14 | *0.05* |
| **Total Expenses** | | | 1.33 | *0.44* |
| **IV. PROFIT BEFORE TAX (II - III)** | | | 63.85 | *34.02* |
| **V.** Tax expense: | | | | |
| – Current tax | | | 0.57 | *0.72* |
| **VI. PROFIT FOR THE YEAR (IV - V)** | | | 63.28 | *33.30* |
| **VII.** Earnings per equity share - Basic and Diluted (₹) (Face Value ₹ - 100) | 14 | | 248.16 | *130.60* |

See Significant Accounting Policies and accompanying Notes to the Financial Statements

In terms of our report attached.

For Nanubhai & Co.
*Chartered Accountants*

Abhay D. Desai
*Partner*

*Mumbai, 20th April, 2012*

For and on behalf of the Board of Directors

S. S. KELKAR
D. N. MEHTA
S. R. LOHOKARE
*Directors*

*Mumbai, 20th April, 2012*

# NAPEROL INVESTMENTS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

| | | 2011-2012 ₹ in Lakhs | *2010-2011 ₹ in Lakhs* |
|---|---|---|---|
| **A** | **CASH FLOW FROM OPERATING ACTIVITIES:** | | |
| | Profit Before Tax | 63.85 | *34.02* |
| | **Operating Profit before Working Capital Changes** | 63.85 | *34.02* |
| | **Adjustments for** | | |
| | (Increase)/Decrease in Short term Loans & Advances | — | *0.39* |
| | (Increase)/Decrease in Other current assets | (2.30) | *144.84* |
| | (Increase)/Decrease in Inventories | 0.32 | – |
| | Increase/(Decrease) in Trade Payables | 0.22 | – |
| | **Cash generated from operations** | 62.09 | *179.25* |
| | Less: Taxes paid | (0.46) | *(2.49)* |
| | **Net Cash flow from Operating Activities (A)** | 61.63 | *176.76* |
| **B** | **NET CASH FLOW FROM INVESTING ACTIVITIES: (B)** | — | — |
| **C** | **NET CASH USED IN FINANCING ACTIVITIES:** | | |
| | Dividend and Tax on Dividend paid | (29.74) | *(156.63)* |
| | **Net Cash used in Financing Activities (C)** | (29.74) | *(156.63)* |
| | **Net Increase in Cash and Cash equivalents (A+B+C)** | 31.89 | *20.13* |
| | Cash and Cash Equivalents -Opening balance as at 01-04-2011 - As per Note No. 7 | 33.42 | *13.29* |
| | Cash and Cash Equivalents -Closing balance as at 31-03-2012 - As per Note No. 7 | 65.31 | *33.42* |

See Significant Accounting Policies and accompanying Notes to the Financial Statements

As per our report attached.

For Nanubhai & Co.
*Chartered Accountants*

Abhay D. Desai
*Partner*

*Mumbai, 20th April, 2012*

For and on behalf of the Board of Directors

S. S. KELKAR
D. N. MEHTA
S. R. LOHOKARE
*Directors*

*Mumbai, 20th April, 2012*

## NOTES TO THE FINANCIAL STATEMENTS

**1. Significant Accounting Policies :**

(a) Basis of Accounting:

The financial statements are prepared as per historical cost convention and in accordance with the generally accepted accounting principles in India, the provisions of the Companies Act, 1956, and the applicable Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006. All income and expenditure having material bearing on the financial statements are recognised on accrual basis.

(b) Use of Estimates:

The presentation of the financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities. Such estimates and assumptions are based on management's evaluation of relevant facts and circumstances as on the date of financial statements. The actual outcome may diverge from these estimates.

(c) Stock-in-trade:

Stock-in-trade is valued at the lower of cost and market value.

(d) Dividend/Interest:

Dividends are accounted as and when the right to receive payment is established. Interest is accounted on accrual basis. Income from interest is recognised on a time basis determined by the amount outstanding and the rate applicable.

# NAPEROL INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(e) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Minimum Alternative Tax (MAT) credit is recognised as an asset on the basis of the considerations that there being a convincing evidence of realisation of the asset and in the year in which the MAT credit becomes eligible to be recognised, the said asset is created by way of credit to the profit and loss account.

| | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|
| **2. SHARE CAPITAL** | | |
| AUTHORISED | | |
| 49,982 (Previous Year 49,982) Equity Shares of ₹ 100/- each | 49.98 | *49.98* |
| 18,11% Non-Cumulative Redeemable Preference shares of ₹ 100/- each | 0.02 | *0.02* |
| | 50.00 | *50.00* |
| ISSUED, SUBSCRIBED AND PAID UP | | |
| 25,500 (Previous Year 25,500) Equity shares of ₹ 100/- each | 25.50 | *25.50* |

The Company has only one class of shares referred to as equity shares having a par value of ₹ 100 Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. However,no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

In last 5 years, no classes of shares has been issued, bought back and bonus issued by the Company.

| | ₹ in Lakhs | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|---|
| **3. RESERVES AND SURPLUS** | | | |
| CAPITAL REDEMPTION RESERVE | | | |
| Balance as per last balance sheet | 0.02 | | *0.02* |
| Add:- Transfer from Statement of Profit and Loss | — | | — |
| | | 0.02 | *0.02* |
| GENERAL RESERVE | | | |
| Balance as per last balance sheet | 37.85 | | *34.51* |
| Add:- Transfer from Statement of Profit and Loss | 6.33 | | *3.34* |
| | | 44.18 | *37.85* |
| SPECIAL RESERVE UNDER SECTION 45 IC OF THE RESERVE BANK OF INDIA ACT, 1934 | | | |
| Balance as per last balance sheet | 54.29 | | *47.62* |
| Add:- Transfer from Statement of Profit and Loss | 12.78 | | *6.67* |
| | | 67.07 | *54.29* |
| SURPLUS / (DEFICIT) IN STATEMENT OF PROFIT AND LOSS | | | |
| Opening Balance | 0.62 | | *7.07* |
| Add:- Profit for the year | 63.28 | | *33.30* |
| Amount available for appropriation | 63.91 | | *40.37* |
| Less:- Proposed Dividend | 38.25 | | *25.50* |
| Less:- Tax on Dividend | 6.21 | | *4.24* |
| Less:- Transfer to General Reserve | 6.33 | | *3.34* |
| Less:- Transfer to Special Reserve Under Section 45 IC of the Reserve Bank of India Act, 1934 | 12.78 | | *6.67* |
| | | 0.34 | *0.62* |
| | | 111.61 | *92.78* |

# NAPEROL INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|
| **4. TRADE PAYABLES** | | |
| Trade Payables In Respect of Expenses | 0.49 | *0.27* |
| | 0.49 | *0.27* |
| **5. SHORT-TERM PROVISIONS** | | |
| Proposed Dividend: | | |
| Proposed Dividend | 38.25 | *25.50* |
| Tax on Dividend | 6.21 | *4.24* |
| Provision for Income Tax (net of Advance Tax) | 0.70 | *0.59* |
| | 45.15 | *30.33* |

**6. INVENTORIES - PARTICULARS OF SHARES AND SECURITIES**

| Sr. No. | Name of the Company | Face Value (₹) | Opening Stock (1-4-2011) Quantity Nos. | Opening Stock (1-4-2011) Value (₹) in Lakhs | Purchases/ Conversion Quantity Nos. | Purchases/ Conversion Value (₹) in Lakhs | Sales/Conversion Quantity Nos. | Sales/Conversion Value (₹) in Lakhs | Closing Stock (31-3-2012) Quantity Nos. | Closing Stock (31-3-2012) Value (₹) in Lakhs |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Shares (Quoted): (Fully paid-up)** | | | | | | | | | |
| 1. | The Bombay Dyeing & Manufacturing Company Limited | 10 | 81,240 | 24.60 | — | — | — | — | 81,240 | 24.60 |
| 2. | The Bombay Burmah Trading Corporation Limited | 10 | 8,41,680 | 88.14 | — | — | — | — | 8,41,680 | 88.14 |
| 3. | Larsen and Toubro Limited | 2 | 8 | 0.00 | — | — | — | — | 8 | 0.00 |
| 4. | Technojet Consultants Limited | 10 | 3,000 | 0.31 | — | — | — | — | 3,000 | - |
| 5. | ABB Limited | 2 | 60 | 0.00 | — | — | — | — | 60 | 0.00 |
| 6. | Tata Chemicals Limited | 10 | 56 | 0.02 | — | — | — | — | 56 | 0.02 |
| 7. | Finolex Cables Limited | 2 | 50 | 0.00 | — | — | — | — | 50 | 0.00 |
| 8. | ACC Limited | 10 | 300 | 0.09 | — | — | — | — | 300 | 0.09 |
| 9. | Colgate Palmolive India Limited | 1 | 66 | 0.00 | — | — | — | — | 66 | 0.00 |
| 10. | J. K. Synthetics Limited | 10 | 233 | 0.01 | — | — | — | — | 233 | — |
| 11. | J. K. Cement Limited | 10 | 46 | — | — | — | — | — | 46 | — |
| 12. | ORG Infomatics Limited | 10 | 7 | 0.00 | — | — | — | — | 7 | — |
| 13. | ICICI Bank Limited | 10 | 933 | 0.51 | — | — | — | — | 933 | 0.51 |
| 14. | ALSTOM Project India Limited | 10 | 12 | — | — | — | — | — | 12 | — |
| 15. | UltraTech Cement Limited | 10 | 1 | — | — | — | — | — | 1 | — |
| | | | | **113.69** | — | — | — | — | | **113.37** |
| | **Shares (Unquoted): (Fully paid-up)** | | | | | | | | | |
| 1. | B. R. T. Limited | 100 | 1,000 | 1.37 | — | — | — | — | 1,000 | 1.37 |
| | | | | **1.37** | — | — | — | — | | **1.37** |
| | **Debentures (Unquoted): (Fully paid-up)** | | | | | | | | | |
| 1. | Zero% Unsecured Fully Convertible Debentures in Sunflower Investments and Textiles Private Limited | 100 | 393 | 0.39 | — | — | — | — | 393 | 0.39 |
| | | | | **0.39** | — | — | — | — | | **0.39** |
| | **GRAND TOTAL** | | | **115.45** | — | — | — | — | | **115.13** |

| | |
|---|---|
| **Market Value of Quoted Shares** | **5,454.76** |

# NAPEROL INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| | As at 31.03.2012 ₹ in Lakhs | *As at 31.03.2011 ₹ in Lakhs* |
|---|---|---|
| **7. CASH AND CASH EQUIVALENTS** | | |
| Cash and Cash Equivalents | | |
| Cash on hand | 0.15 | *0.05* |
| Balances With Scheduled Banks : | | |
| – on Current Account | 1.17 | *3.37* |
| – on Deposit Account | 64.00 | *30.00* |
| | 65.31 | *33.42* |
| **8. SHORT-TERM LOANS AND ADVANCES** | | |
| (Unsecured, considered good) | | |
| Prepaid Expenses | 0.01 | *0.01* |
| | 0.01 | *0.01* |
| **9. OTHER CURRENT ASSETS** | | |
| Interest Accrued but not due on Bank Deposits | 2.30 | — |
| | 2.30 | — |
| **10. REVENUE FROM OPERATIONS** | | |
| Dividends Income | 62.01 | *31.69* |
| Interest on Investments | 3.17 | *2.77* |
| | 65.18 | *34.46* |
| **11. CHANGE IN INVENTORIES** | | |
| Closing balance of the inventory | 115.13 | *115.45* |
| Opening balance of the inventory | 115.45 | *115.45* |
| Net Increase/Decrease in Inventories | 0.32 | — |

**12.** Additional information pursuant to Part II of Schedule VI to the Companies Act, 1956 has not been furnished as the same is not applicable.

**13. Related Party Disclosures**

Related party disclosures,as required by AS-18, "Related Party Disclosures", are given below:

The following transactions were carried out with related parties in the ordinary course of business.

| Related Parties | Nature of Relationship | Nature of Transactions | 31.03.2012 ₹ in Lakhs | *31.03.2011 ₹ in Lakhs* |
|---|---|---|---|---|
| National Peroxide Limited | Holding Company | **Loan given:** | | |
| | | Closing Balance | — | — |
| | | Maximum amount outstanding | — | *144.84* |
| | | **Interest Received** | — | *2.77* |

**14. Earnings per share of face value of Rs. 100 each**

| | 2011-2012 | *2010-2011* |
|---|---|---|
| Net profit for the year (₹ In Lakhs) | 63.28 | *33.30* |
| Number of ordinary shares | 25,500 | *25,500* |
| Face Value of Equity Share (₹) | 100 | *100* |
| Basic & Diluted Earnings per Share (₹) | 248.16 | *130.60* |

**15. Segment Information:**

The Company operates in a single reportable business segment viz. Investment and also it operates in a single geographic segment viz India. Therefore, information required by the Acounting Standard on "Segment Reporting" (AS) - 17 has not been disclosed.

# NAPEROL INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

**16.** Schedule of Balance Sheet of a Non Banking Financial Company as required in terms of Paragraph 9BB of Non Banking Companies Prudential Norms (Reserve Bank ) Directions, 1998.

The following additional information (other than what is already disclosed elsewhere) is disclosed in terms of RBI circular (Ref. No. DNBS.193 DG(VL) - 2007 dated February 22, 2007.

**Schedule to the Balance Sheet of a non-deposit taking non-banking financial company**

(as required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

₹ in Lakhs

| | | Amount outstanding | Amount overdue |
|---|---|---|---|
| | **Particulars Liabilities side:** | | |
| (1) | Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid: | Nil | Nil |
| | (a) Debentures : Secured | — | — |
| | : Unsecured (other than falling within the meaning of public deposits*) | — | — |
| | (b) Deferred Credits | — | — |
| | (c) Term Loans | — | — |
| | (d) Inter-corporate loans and borrowing | — | — |
| | (e) Commercial Paper | — | — |
| | (f) Other Loans (specify nature) | — | — |
| | Working Capital from Banks | | |
| | Unsecured Loan from Banks | | |
| | * Please see Note 1 below | | |

| | | Amount outstanding |
|---|---|---|
| | **Particulars Assets side :** | |
| (2) | Break-up of Loans and Advances including bills receivables [other than those included in (4) below] : | |
| | (a) Secured | |
| | (b) Unsecured | — |
| (3) | Break up of Leased Assets and stock on hire and other assets counting towards AFC activities | Nil |
| | (i) Lease assets including lease rentals under sundry debtors: | — |
| | (a) Financial lease | — |
| | (b) Operating lease | — |
| | (ii) Stock on hire including hire charges under sundry debtors: | |
| | (a) Assets on hire | — |
| | (b) Repossessed Assets | — |
| | (iii) Other loans counting towards AFC activities | |
| | (a) Loans where assets have been repossessed | — |
| | (b) Loans other than (a) above | — |
| (4) | Break-up of Investments : (Included in Stock-in-Trade) | |
| | Current Investments : | |
| | 1. Quoted : | |
| | (i) Shares : (a) Equity | 113.37 |
| | (b) Preference | — |
| | (ii) Debentures and Bonds | — |
| | (iii) Units of mutual funds | — |
| | (iv) Government Securities | — |
| | (v) Others (please specify) | — |

# NAPEROL INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| | ₹ in Lakhs Amount outstanding |
|---|---|
| 2. Unquoted : | |
| (i) Shares : (a) Equity | 1.37 |
| (b) Preference | — |
| (ii) Debentures and Bonds | 0.39 |
| (iii) Units of mutual funds | — |
| (iv) Government Securities | — |
| (v) Others (please specify) | — |
| Long Term investments : | |
| 1. Quoted : | |
| (i) Shares : (a) Equity | — |
| (b) Preference | — |
| (ii) Debentures and Bonds | — |
| (iii) Units of mutual funds | — |
| (iv) Government Securities | — |
| (v) Others (please specify) | — |
| 2. Unquoted : | |
| (i) Shares : (a) Equity | — |
| (b) Preference | — |
| (ii) Debentures and Bonds | — |
| (iii) Units of mutual funds | — |
| (iv) Government Securities | — |
| (v) Others (please specify) | — |
| Fixed Deposits with banks | |

(5) Borrower group-wise classification of assets financed as in (2) and (3) above:
Please see Note 2 below

| Category | Amount net of provisions | | |
|---|---|---|---|
| | Secured | Unsecured | Total |
| 1. Related Parties ** | | | |
| (a) Subsidiaries | — | — | — |
| (b) Companies in the same group | — | — | — |
| (c) Other related parties (Holding Company) | — | — | — |
| 2. Other than related parties | — | — | — |
| Total | — | — | — |

(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):
Please see note 3 below

| Category | Market Value/ Breakup or fair value or NAV | Book Value (Net of Provisions) |
|---|---|---|
| 1. Related Parties ** | Nil | |
| (a) Subsidiaries | — | — |
| (b) Companies in the same group | — | — |
| (c) Other related parties | — | — |
| 2. Other than related parties | — | 115.13* |
| Total | — | 115.13* |

* Includes cost of unquoted securities ₹ 1.76 Lakhs

** As per Accounting Standard of ICAI (Please see Note No. 13)

# NAPEROL INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| | ₹ in Lakhs Amount |
|---|---|
| (7) Other information | |
| Particulars | |
| (i) Gross Non-Performing Assets | Nil |
| (a) Related parties | — |
| (b) Other than related parties | — |
| (ii) Net Non-Performing Assets | Nil |
| (a) Related parties | — |
| (b) Other than related parties | — |
| (iii) Assets acquired in satisfaction of debt | Nil |

**Notes:**

1. As defined in paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
2. Provisioning norms shall be applicable as prescribed in Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
3. All Accounting Standards and Guidance Notes issued by Institute of Chartered Accountants of India are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (4) above.

**17.** Based on the information received by the Company from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act) there are no amounts due to such vendors during the year and as at the year end. Therefore, disclosures required under the Act have not been given.

**18.** The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification / disclosure.

Signatures to Notes 1 to 18

S. S. KELKAR
D. N. MEHTA
S. R. LOHOKARE

*Directors*

*Mumbai, 20th April, 2012*

# TEN YEAR STANDALONE FINANCIAL STATISTICS

(₹ in Lacs)

| As at / Year ended 31st March | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | **2011-12** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets Employed :** | | | | | | | | | | |
| Fixed Assets less Depreciation & CWIP | 4859.92 | 4518.17 | 4476.81 | 7147.52 | 9425.00 | 9206.44 | 8820.20 | 8416.42 | 10275.99 | **12069.83** |
| Investments | 148.46 | 148.77 | 148.77 | 148.37 | 127.33 | 127.33 | 127.33 | 127.33 | 2177.42 | **2398.01** |
| Net Current Assets | 336.34 | 453.18 | 925.13 | 1036.70 | 513.79 | 932.89 | 944.60 | 761.57 | 2544.18 | **2514.79** |
| Miscellaneous Expenditure | 154.12 | 111.21 | 76.52 | 44.05 | 35.69 | 27.20 | 18.49 | 9.17 | 2.07 | **0.00** |
| **Financed by :** | | | | | | | | | | |
| Share Capital | 229.83 | 229.83 | 229.83 | 229.88 | 574.70 | 574.70 | 574.70 | 574.70 | 574.70 | **574.70** |
| Reserves & Surplus | 2389.31 | 2963.13 | 4207.10 | 4810.85 | 4410.52 | 4950.51 | 6342.72 | 7290.45 | 12301.29 | **14252.14** |
| Loan Funds | 1830.38 | 667.05 | 3.98 | 2269.69 | 3885.68 | 3453.49 | 1649.41 | 144.84 | 885.17 | **526.43** |
| Deferred Tax Liability | 1049.32 | 1371.32 | 1186.32 | 1066.22 | 1230.91 | 1315.16 | 1343.79 | 1304.50 | 1238.50 | **1629.36** |
| **Profits & Appropriations :** | | | | | | | | | | |
| Sales & other Income | 5373.07 | 5866.44 | 7626.31 | 7196.74 | 6431.83 | 11032.49 | 13602.64 | 12250.66 | 18487.70 | **15616.72** |
| Manufacturing Expenses | 3944.58 | 4141.67 | 5001.07 | 5205.03 | 5025.58 | 8237.21 | 9366.14 | 8886.62 | 8976.64 | **10685.44** |
| Interest | 225.46 | 82.15 | 25.69 | 4.24 | 161.14 | 339.04 | 300.22 | 127.40 | 75.84 | **40.75** |
| Depreciation | 499.72 | 490.23 | 457.05 | 460.98 | 593.39 | 784.60 | 820.73 | 830.83 | 840.96 | **1002.19** |
| Profit Before Tax | 703.31 | 1152.39 | 2142.50 | 1526.49 | 651.72 | 1671.64 | 3115.55 | 2405.81 | 8594.26 | **3888.34** |
| Taxation | 346.00 | 410.00 | 715.00 | 530.00 | 217.87 | 593.76 | 1050.97 | 785.71 | 2801.99 | **1140.22** |
| Profit After Tax | 357.31 | 742.39 | 1427.50 | 996.49 | 433.85 | 1077.88 | 2064.58 | 1620.10 | 5792.27 | **2748.12** |
| Dividend : | | | | | | | | | | |
| – Amount | 91.95 | 149.42 | 160.92 | 344.82 | 402.29 | 459.76 | 574.70 | 574.70 | 689.64 | **689.64** |
| – Percentage | 40% | 65% | 70% | 60% | 70% | 80% | 100% | 100% | 120% | **120%** |
| Earning Per Share (EPS) (₹) | 1.55 | 3.23 | 6.21 | 17.35 | 7.55 | 18.76 | 35.92 | 28.19 | 100.79 | **47.82** |

**Notes:**

1. Share Capital for 2006-07 onwards includes sub-division of Shares (10 shares for every 1 share held) and Issue of Bonus Shares (3 shares for every 2 shares held) in June 2006.
2. Reserves & Surplus includes revaluation reserve.
3. Sales and other Income include excise duty, sale of Assets etc.
4. Dividend amount does not include Corporate Dividend Tax.
5. Previous years' figures have been re-classified to conform with current year's presentation, wherever applicable.

# NOTES

## National Peroxide Limited

Registered Office: Neville House, J. N. Heredia Marg, Ballard Estate, Mumbai - 400 001.

### ATTENDANCE SLIP

I hereby record my presence at the 58th ANNUAL GENERAL MEETING of National Peroxide Limited at Sunville Banquet & Conference Rooms, 9, Dr. Annie Besant Road, Near Worli Flyover, Worli, Mumbai 400 018, on Thursday, 9th August, 2012 at 4.00 p.m.

Full name of the Member/Proxy/Representative : ..........................................................................................
(In block letters)

| Registered Folio No. : | and/or | DP ID No./Client ID No. : |
|---|---|---|

SIGNATURE OF SHAREHOLDER OR PROXY OR REPRESENTATIVE ATTENDING THE MEETING

| If **Shareholder/Representative**, please sign here | If **Proxy**, please sign here |
|---|---|
| | |

N.B. :
1. Members attending the Meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.
2. Members attending the Meeting are requested to bring their copies of the Annual Report with them.

## National Peroxide Limited

Registered Office: Neville House, J. N. Heredia Marg, Ballard Estate, Mumbai - 400 001.

### PROXY FORM

I/We.....................................................................................................................................................

of............................................................................ being a Member/Members of NATIONAL PEROXIDE LIMITED

hereby appoint .................................................................................................... of ........................................

or failing him ....................................................................................................... of ........................................

as my/our Proxy to attend and vote for me/us and on my/our behalf at the Fifty Eighth Annual General Meeting of the Company to be held on Thursday, 9th August, 2012 and at any adjournment thereof.

Signed this ..........................................day of ...................., 2012.

Affix Revenue Stamp

Signature across Revenue Stamp

| | |
|---|---|
| Registered Folio No. : ........................................................<br>and/or<br>DP ID No./Client ID No. : ................................................ | Shares held : ..............................................................<br><br>Shares held : .............................................................. |

NOTE : This form of proxy duly completed, stamped and signed should be deposited at the Registered Office of the Company not less than 48 hours before commencement of the meeting.