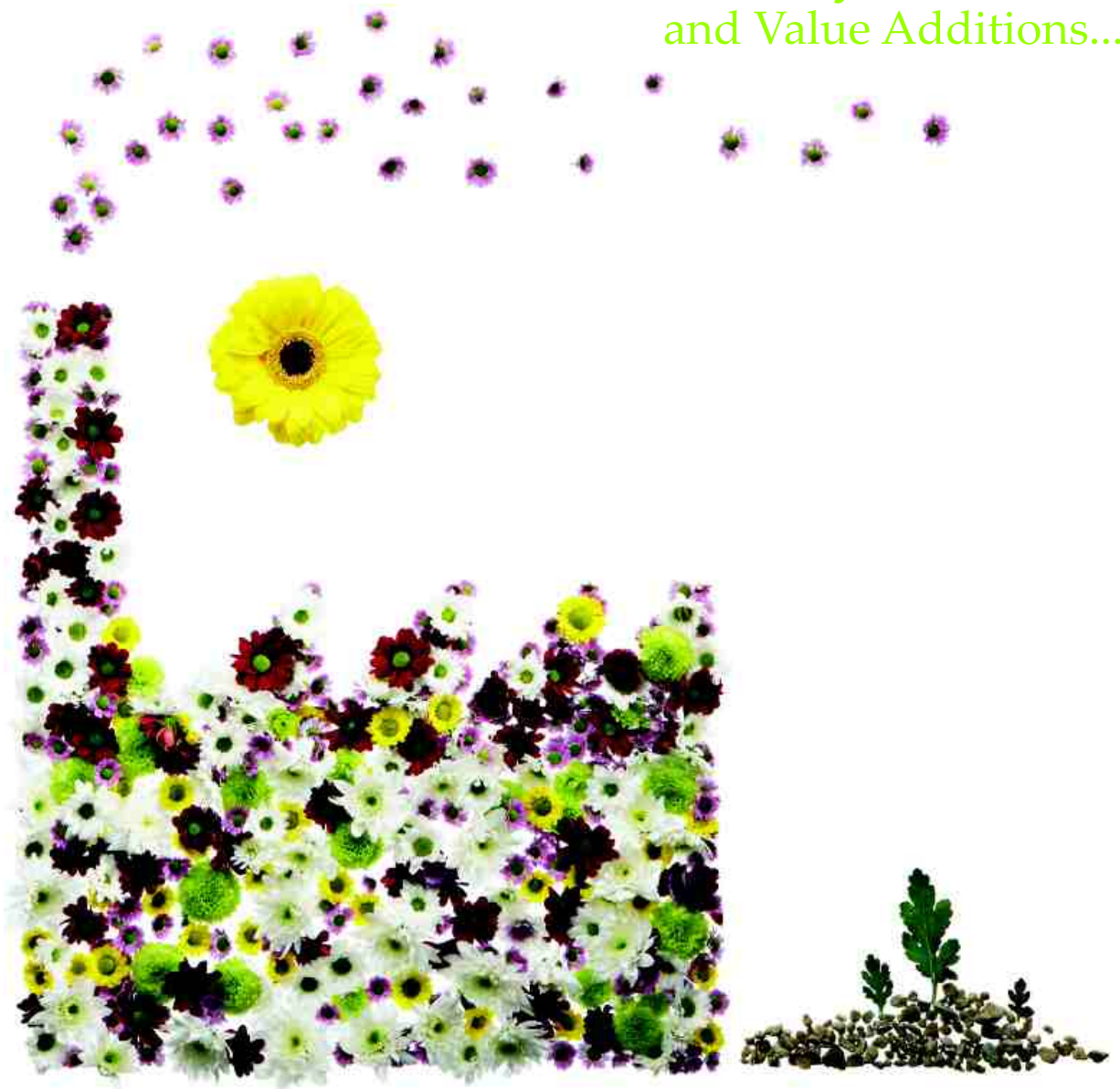




Kanoria Chemicals
& Industries Limited

Chemistry of Values and Value Additions...



Annual Report
2009-10



Kanoria Chemicals
& Industries Limited



Chemistry of Values and Value Additions...

COMPANY SECRETARY

N.K. Sethia

AUDITORS

Singhi & Co.
Chartered Accountants
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Kolkata - 700 001

BANKERS

Allahabad Bank
Axis Bank Limited
HDFC Bank Limited
State Bank of India
UCO Bank
Yes Bank Limited

REGISTERED OFFICE

'Park Plaza'
71, Park Street
Kolkata - 700 016



“Sustainable development is the core belief of KCI. It is a passion that goes beyond merely adhering to statutory requirements. Upgradation of environmental protection measures is an ongoing process that has not only helped the Company to pursue its environment friendly approach, but has also ensured sustained profitability of the Company. Its unique approach to make sustainable development a commercially viable process through conservation and recycling has ensured efficient manufacturing operations for the Company.”



BOARD OF DIRECTORS



H K Khaitan



G Parthasarathy



A Vellayan



Amitav Kothari



S L Rao



J P Sonthalia



R V Kanoria



Ravinder Nath



B D Sureka



T D Bahety



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CHAIRMAN'S STATEMENT



Ever since the Asian currency crisis in 1997, the world continues to face economic shocks. This time last year, the world was grappling with the sharp economic downturn and I had compared the situation with the Great Depression of the 1930s. This year sovereign debt crisis exposes the vulnerability of even the developed countries where bailouts have been necessary.

I believe that lessons can be drawn from the way the Indian economy has managed to prevent large scale adverse impact of the global slowdown on account of its prudent monetary policy and effective regulatory mechanism. The role of Reserve Bank of India is particularly noteworthy.

As we step into the current fiscal, the situation looks better. Despite the relatively high rates of inflation, manufacturing sector has made a strong comeback. Trade also has made a turnaround, growing sharply in the last few months. Corporate profitability is up and there is optimism in the air.

The confidence in India is clear and the inflows of FII and FDI are strong. This, however, has taken a toll on domestic competitiveness both by way of currency appreciation as well as the perceptible absence of further reforms. There is a need for continued reforms which has been on the backburner even though the government is no longer saddled with the left ideology. A push on the next wave of economic reforms is imperative.

The first wave of reforms in the 1990s removed barriers and deregulated industry that has significantly increased India's integration with the rest of the world. Such integration within the country, however, is still to become a reality. A country with much diversity is also so

fragmented that its economic markets are not completely homogeneous.

Inter-state differences prevent a common approach to economic issues. Barriers on the movement of goods and services across states, legislative issues in setting up and operating industrial enterprises, documentation requirements of various governmental and municipal authorities and lack of 'co-operative competition' among states, are important issues that prevent India becoming a single 'common market'.

Fiscal integration and harmonization of taxation across the states of India is an important component for transforming India into a seamless economic entity. Distortions in the taxation regime arise out of the plethora of state level taxation that not only erode competitiveness but also cause huge expenses to sustain the tax collection machinery. The introduction of a Goods & Service Tax (GST), for instance, has been delayed and needs quick implementation not only for fiscal simplification, but also to bring down inter-state barriers. This, however, needs to be followed up with comprehensive tax reforms at the state levels to remove multiplicity of taxation such as Entry Tax, Turnover Tax, Municipal Tax, Octroi, Electricity Duty and such like.

The need for infusing higher investment in infrastructure continues to remain critical with particular reference to physical connectivity and commerce between states. Whereas the roads and highways have witnessed some attention in recent years, it still requires major investments that can only fructify through a set of clearly laid down guidelines for effective public-private partnership. Other areas such as airports, ports and power need even more.

The decadal Census exercise has commenced and when completed would provide us important insight into the demographic profile of the country. Policy makers must keep this profile in perspective and assign due importance to the large segment of our productive population between the age of 15 and 59 years, currently estimated to be over 700 million. Involving the large number of people in the economic process and ensuring commensurate productivity can transform the country and take it to next level of the growth trajectory.

This would require large scale efforts in capacity building and policies that promote inclusive growth. An integral component of this approach is creating a policy framework for private participation in education and health. The Right to Education Act is an important milestone but the delivery mechanism needs clarity.

The manufacturing sector should take centre stage as a vehicle for ensuring economic growth but, more importantly, as a medium for creating employment opportunities for the productive population. Excessive dependence of the fiscal system on revenues from the manufacturing sector needs a revisit. In this respect the proposed Direct Tax Code is desired legislation but lacks a strategic dimension. I do hope that a comprehensive review of the provisions contained in the draft code is undertaken that is not limited to cosmetic changes.

The past year was a difficult one for the Company. Volatility in prices and higher raw material costs posed a stiff challenge. For instance, the Caustic Soda prices fell on account of higher supply through dumped imports and domestic capacity expansion. With regard to the Alco Chemicals segment of the Company, poor sugar output during the year raised price of molasses to uncompetitive levels and threatened the operations of the distillery at Ankleshwar. In-house improvement in the fermentation process, however, ensured better yields and our constant vigil on costs helped us through.

Our Greenfield project at Vishakhapatnam, Andhra Pradesh is nearing completion and is expected to be ready by September this year, a delay of two months from the July dateline that I had mentioned in my last report. Market prospects for Formaldehyde and Hexamine, the products in the first phase, are positive and the project would strengthen the Company's market leadership in that segment.

The Company also entered into a Joint Venture with Soluciones Extractivas Alimentarias of Spain. The JV, Minerva Flavours and Fragrance Pvt. Ltd., would set up a flavours and fragrance manufacturing facility at

Vishakhapatnam. The work on the project is progressing as per schedule and the first phase of the project is likely to be completed by the last quarter of 2010. Despite the fact the KCI is a minority stakeholder in the JV, it would provide the Company a wider product experience and a step forward in the synergistic low volume, high value business.

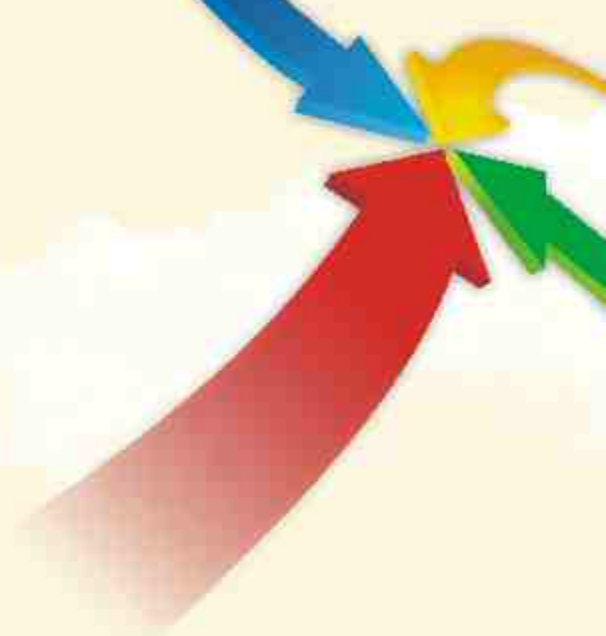
The Company faced a major setback during the year that had nothing to do with business cycles. The rotor in one of the two 25 MW thermal power plant that provides captive power to KCI's Chloro Chemicals facility at Renukoot, broke down and the plant had to be shut down. The repairs took inordinate amount of time and the fault persisted for over six months impacting operations and profitability. Not only did the Company have to draw on more expensive grid power, the revenue stream from selling excess power from the captive power plants to UPPCL also temporarily dried up.

As a part of ongoing product development strategy, I am happy to note positive developments in value added products such as those in the Chlorinated Paraffin segment. The strategy is in the next phase of evolution with the desired goal of shifting from a commodity mindset to more value added products and, at the same time, expanding the export footprint.

The challenges faced during 2009-10 have only steeled our resolve and we will consciously and concertedly improve practices where necessary, innovate and consolidate. I am confident that the strong base of the Company developed over the last five decades will continue to aid overall growth.

I am happy to mention that the Company completes 50 years since its incorporation in December 1960. We would be holding our 50th Annual General Meeting this year. We would, however, wish to celebrate 50 years of manufacturing activity and commemorate the year 2014.

R V Kanoria
Chairman & Managing Director



CONSOLIDATION

At Kanoria Chemicals & Industries Limited (KCI), we believe that excellence is a continuous process. The process includes dealing with external factors such as business cycles, as well as internal factors that develop unexpectedly.

The Company turns 50 years since the date of its incorporation in December 1960. Commercial production in its first plant at Renukoot commenced in 1964 and KCI would commemorate its golden jubilee in the year 2014 and celebrate five decades of operations.

It has been a long and satisfying journey that includes setting up a Polyol manufacturing facility at Ankleshwar

in 1983. KCI is now in the process of setting up a third Greenfield manufacturing unit in Vishakhapatnam in Andhra Pradesh to be ready later this year.

Apart from adding new manufacturing facilities, KCI has steadily expanded capacities in its existing plants, as well as developed new products, strategically integrated with its core businesses. Please see boxes showing important milestones that the Company has achieved over the years.

A common thread in KCI's development strategy has remained in its focus on integrated processes and choice of technology that have ensured cost efficiency and



The KCI Vision

“To be a responsible and respected player in Basic, Fine and Speciality Chemical manufacturing with a Global Footprint”

- Achieving globally benchmarked standards of excellence in all our operations and by being system driven.
- Institutionalizing a Knowledge Management System that enables generation, retention and sharing of knowledge across the corporation appropriately.
- Exploring and seizing opportunities in emerging and developing economies.
- Nurturing an R&D mindset and fostering innovation.
- Broadening our product base through a judicious mix of organic and inorganic means.
- Establishing a High Performance Work Culture and achieving highest levels of employee engagement.
- Following Principles of Corporate Governance and being socially responsible.
- Deploying cost effective and appropriate technology.

First Decade 1965-1974

- 1965 Caustic Chlorine plant commissioned at Renukoot in the state of Uttar Pradesh with a capacity of 16,500 TPA of Caustic Soda
- 1972 Expansion in capacity of Caustic Chlorine plant to 21,000 TPA
Added Stable Bleaching Powder (SBP) plant with a capacity of 5,000 TPA
Started producing own Salt
- 1973 Further expansion in capacity of Caustic Chlorine plant to 33,000 TPA

Second Decade 1975-1984

- 1977 Expansion in capacity of SBP to 10,000 TPA
- 1980 Further expansion of SBP plant to 15,000 TPA
- 1983 Commissioned another chemical complex in Ankleshwar in the state of Gujarat, with initial capacity of 1,200 TPA of Pentaerythritol and 660 TPA of Sodium Formate

Third Decade 1985-1994

- 1987 Commissioned Formaldehyde plant with a capacity of 16,500 TPA
- 1988 Expansion in capacity of Pentaerythritol to 3,000 TPA and consequently Sodium Formate plant to 1,650 TPA.
Commenced production of Acetaldehyde with a capacity of 1,400 TPA
- 1991 Expansion in capacity of Acetaldehyde plant to 2,500 TPA
- 1992 Commissioned Hexamine plant with a capacity of 1,500 TPA
- 1993 Expansion of Formaldehyde plant to 33,000 TPA
- 1994 Started producing Industrial Alcohol (15 million litres per annum)

Fourth Decade 1995-2004

- 1997 Commissioned Aluminium Chloride plant with a capacity of 6,875 TPA
Expansion of Pentaerythritol plant to 5,000 TPA
Expansion of Hexamine plant to 4,000 TPA
- 1998 Commissioned 25 MW coal based power plant at Renukoot
Expansion in capacity of Acetaldehyde plant to 9,000 TPA
Commissioned Acetic Acid plant with a capacity of 6,000 TPA
Commissioned Ethyl Acetate plant with a capacity of 3,300 TPA
- 1999 Expansion in capacity of Distillery to 225 million litres per annum
Commissioned 2 MW Bio-gas plant at Ankleshwar
- 2000 Started producing Hydrogen for commercial purposes
- 2002 Expansion of Pentaerythritol plant to 6,000 TPA
Expansion of Formaldehyde plant to 50,000 TPA
Expansion of Acetaldehyde plant to 10,000 TPA
- 2004 Expansion of Formaldehyde plant to 75,000 TPA
Expansion of Aluminium Chloride plant

Fifth Decade 2005 and on...

- 2005 Commissioned second 25 MW coal based power plant at Renukoot
- 2006 Expansion in Caustic Soda manufacturing capacity to 90,000 TPA
- 2008 Expansion in Caustic Soda manufacturing capacity to 128,000 TPA
Commissioned 15,000 TPA Stable Bleaching Powder plant taking capacity to 30,000 TPA
- 2009 Commissioned 10,500 TPA Chlorinated Paraffin plant
Entered into a JV for flavours and fragrance business
- 2010 Expected commissioning of Greenfield Project in Vishakhapatnam in the state of Andhra Pradesh for manufacturing Formaldehyde and Hexamine

good performance. Be it the Membrane technology for the production of Pentaerythritol, or the IRFBC technology for setting up its captive power plant, or the Membrane Cell technology for production of Caustic Soda, or the Reverse Osmosis technology deployed for treating distillery effluent, all were selected carefully from the best available technologies even if it meant some risk and a relatively higher capital investment. Some of these technologies were deployed in India for the first time. As a result of this strategy, the Company is not only one of the lowest cost manufacturers in the country, but is also one of the most environment friendly companies in the industry.

Physical expansions notwithstanding, KCI as an organization takes great pride in the important strides it has covered towards nurturing ethical and cultural aspects of doing business. The Company maintains best practices in corporate governance, ethical business conduct, environment management and meeting its social responsibility. These have been the pillars of the Company's central ethos of sustainable development. The Company's Vision Statement captures this approach.

As the Company nears its fiftieth year of activity, it has consolidated successes and learnt from its share of failures too. KCI is currently a leading and reputed manufacturer of chemical intermediates in India, manufacturing over 20 products. These include at least six products where it has market leadership in India, namely Caustic Soda, Aluminium Chloride, Poly Aluminium Chloride, Pentaerythritol, Hexamine and Formaldehyde.

As a responsible corporate citizen, KCI has also developed strong practices in governance, contributing to community development and enhancing inclusive growth. The Company has earned a CRISIL GVC Level 3 rating, acknowledging its strong capability with respect to wealth creation for all its stakeholders while adopting sound corporate governance practices. KCI has also steadily demonstrated its commitment for undertaking socially useful investment and remaining proactive in community development programmes. A brief description of Company initiatives and its CSR practices is given in the section titled 'Beyond business...'

CONSOLIDATION



Thermal Power Plant, Renukoot



THE YEAR IN REVIEW

The year 2009-10 was challenging in many ways. On the external front, sluggish international demand on account of the economic slowdown in North America and Europe impacted businesses in India as well, albeit limited on account of its prudent financial systems. Volatility in prices and higher raw material costs were challenges that Indian industry had to face. At the same time, dumped imports and domestic capacity expansions added to the difficulties.

KCI faced internal setbacks too. The captive power plant at its Chloro Chemicals Division at Renukoot remained inoperative on account of a breakdown in the rotor. Despite repairs, the problem persisted for over six months. As a result, production in the chemicals plants had to be cut down in addition to larger costs incurred for procuring expensive power from grid.

The Company did not let these setbacks deter from its long term objectives. Its investment plans are right on track. The Company's Greenfield project at Vishakhapatnam is on schedule and is expected to be complete by September 2010.

During the year, the Company entered into a joint venture with Soluciones Extractivas Alimentarias S.L.A., Spain for manufacture of flavours and fragrance.

As a result of the ongoing thrust on exports, the Company was accorded the status of a Star Export House by Director General of Foreign Trade.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Performance with respect to Operational Performance

The year under review was extremely challenging both on external and internal fronts. On the external side the

Chloro chemicals segment witnessed unprecedented dumping of Caustic Soda, during second and third quarters, mainly from North America. On the internal front the Chloro chemicals segment had a major breakdown in one of its 25 MW Power Generating unit which lasted for over six months. The Alco chemicals segment witnessed cheaper imports of Pentaerythritol as also uneconomical availability of molasses, one of the key raw materials of the segment. The combination of these factors resulted in lower realizations and lower production of Caustic Soda, Industrial Alcohol and its value added products. As a result the net sales and operating profits decreased during the year. However the net profit increased on account of uncrystallized foreign exchange gain on FCCBs.



Formaldehyde plant under construction, Vishakhapatnam



DM Plant at Membrane cell block, Renukoot

The Net Sales was at Rs. 4,212 million as compared to Rs. 4,918 million in the previous year. The export sales in spite of sluggish international demand contributed to 11.4% of the topline as against 11.0% in the previous year.

The raw materials cost decreased from 42.5% to 40.1% of Net Sales mainly on account of lower prices of Aluminium Ingots, Normal Paraffin and Methanol.

The Operating Profit (PBIDT) decreased from 1150 million in the previous year to 877 million during the current year, still being able to maintain a healthy operating margin level of 20.8%

As a result of appreciation of the Indian Rupee during the year against the US Dollars the Company gained by Rs. 143 million towards foreign exchange rate differences on FCCBs and premium thereon. This has driven the Net Profit up from Rs. 146 million in the previous year to Rs. 280 million in the current year. Consequently the net profit margin increased from 3.0% in the previous year to 6.6% in the current year.

The Basic EPS was higher at Rs. 4.97 as against Rs. 2.59 per equity share in the previous year. The Company has recommended a dividend of 30% on the equity capital.

The return on capital employed and net worth during the year increased to 10.1% and 11.4% respectively as compared to 8.3% and 6.3% respectively in the previous year. The Book Value per Equity Share stood at Rs. 43.54

as at the close of the year as compared to Rs. 41.23 as at the close of previous year. The Company made fresh capital expenditure of Rs. 284 million during the year mainly towards setting up of a Greenfield project at Vishakhapatnam. During the year the Company also made an investment of Rs. 16 million in a joint venture company which would be setting up a flavours and fragrance manufacturing facility at Vishakhapatnam. The total loan funds however decreased from Rs. 3,473 million as at the close of previous year to Rs. 3,153 million as at the close of current year. The long term debt to equity ratio, considering FCCBs as debt, stood comfortably at 1.06 as at the close of current financial year.

Chloro Chemicals Segment

Industry structure and development

- The Chlor Alkalis business segment includes the production of Caustic Soda and Chlorine. The division is forward integrated for producing various Chlorine derivatives. The products cater to a wide range of user industries, such as aluminium, paper, textiles, soaps & detergents, petroleum refining and pharmaceuticals.

Opportunities

- Caustic Soda is used in a wide range of user industries. This ensures a steady demand for the

product even if a few of the user industries witness stagnant growth. With recovery in the manufacturing sector, higher demand for the product is expected in 2010-11.

- As one of the leading producer in the country with expanded production capacity, KCI is positioned well to meet higher demand.
- Strong forward linkages of the Company to commercially utilise Chlorine for production of downstream derivatives like Stable Bleaching Powder and Aluminium Chloride add considerable value to the revenue stream.
- Diversification in the Company's exports, both in terms of product segments and geographical coverage. Advanced stage of REACH registration provides the Company a competitive access to Europe, a major market for the products of the Company.
- Continuous focus on environment friendly technologies and sustainable development initiatives enables the Company to conform to best standards.



Formaldehyde plant, Ankleshwar

Threats

- Cheaper imports and increasing input costs could distort markets and margins.
- Excessive environmental activism could impact the usage of Chlorine in downstream products.

Performance

- The Chloro Chemicals Division of the Company faced a setback during the year due to breakdown in the rotor of one of the two captive power plants. Despite repairs, the problem persisted on account of less than satisfactory work done by agency conducting the repairs. As a result inordinate delay not only forced the Company to draw on more expensive grid power during the period but also had to run the chemical plants at lower capacity utilization.
- The production levels remained flat for almost all the Chloro Chemical products during the year.

Outlook

- With rectification of the power plant problem and with augmented Caustic Soda capacity, KCI is well positioned to service the growth in demand for Caustic Soda. Higher growth of the manufacturing sector is expected in 2010-11 which augurs well for the Chlor Alkali industry.
- Diversification in Chlorine derivative products and increased export opportunities indicate robust performance over the medium term.

Alco Chemicals Segment

Industry structure and development

- The Alco Chemicals Division located at Ankleshwar, Gujarat comprises the production of ethanol from molasses and Formaldehyde from methanol, which is further synthesized into several products for industrial applications. These products include Pentaerythritol, Sodium Formate, Acetaldehyde, Hexamine and others.

Opportunities

- Market leadership in several products provides the Division a competitive edge in the market.
- The highly integrated nature of the Division and the pioneering work it has done in treatment and recycling of distillery effluent and other waste enables it to sustain a low cost structure and thus makes the products of the Division competitive in both domestic and international markets.
- The Division is located in close proximity to both sources of raw materials as well as markets for finished products, thus positioning it strongly to cater to steady demand from its user industries such as paints, resins and laminates.

Threats

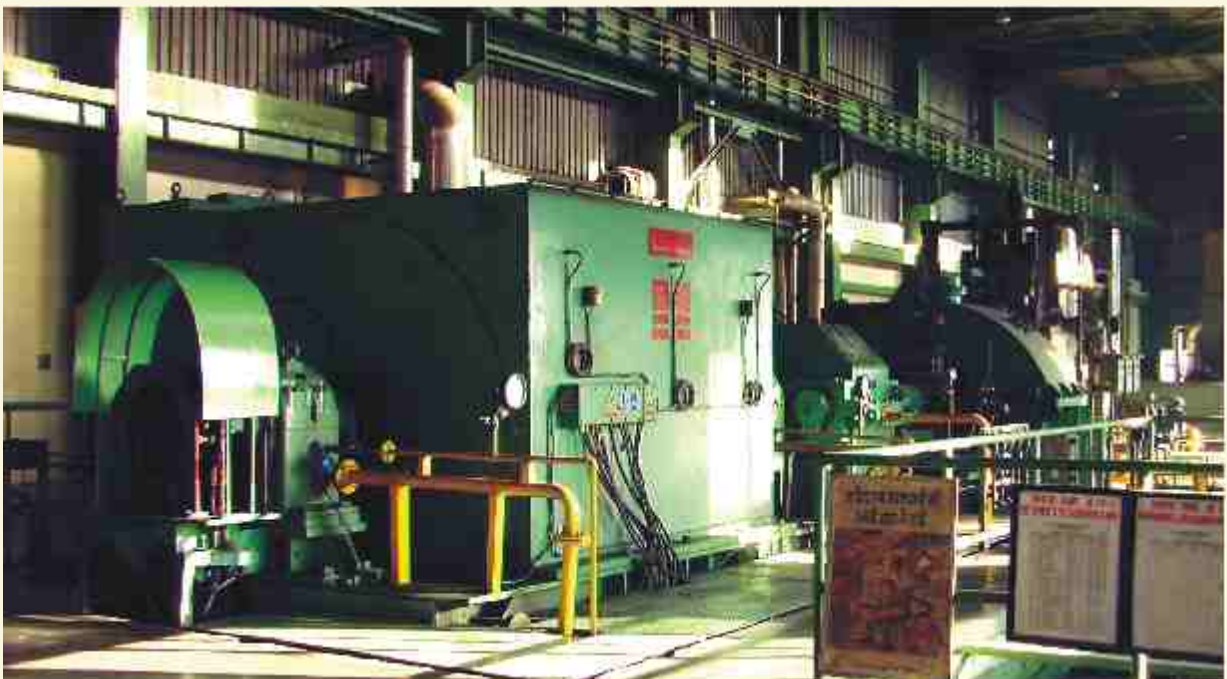
- Cheaper imports and dumping of Pentaerythritol and Hexamine.
- Erratic price and supply can lead to difficulties in procurement of molasses, the main raw material for the Division.

Performance

- The operations of the Alco Chemicals Division remained stable during the year. Production of Pentaerythritol during 2009-10 was 6,505 MT compared to 6,225 MT in the previous year. Production of Hexamine was higher at 5,790 MT compared to 4,491 MT in 2008-09. Production of Formaldehyde also improved and the Division produced 75,510 MT of Formaldehyde compared to 72,404 MT in the previous year.

Outlook

- Technological expertise and market leadership position in several products provides the Division a competitive edge in the market.
- Market leadership in Pentaerythritol and growth in demand from user industries such as inks and paints indicate a sustainable growth for the Division. Growth in automobiles and higher capacity creation in insecticides augur well for higher demand of Hexamine.



■ Power plant, Renukoot

- Anti dumping action on some countries expected to prevent cheaper imports driving down prices.
- Extensive backward and forward integration of products and processes, and the innovative use of waste ensure positive commercial impact.

CAPACITY EXPANSION DURING THE YEAR

KCI's Greenfield project in Vishakhapatnam for the production of 105,000 TPA of Formaldehyde and 5,600 TPA of Hexamine is progressing well and is expected to be commissioned by September 2010.

INITIATIVES DURING THE YEAR

Chloro Chemicals

- Improvement in the quality of Hydrochloric Acid and better recovery of oil.
- The Hypo system was strengthened to avoid gas nuisance.
- Water conservation through efficient use of pumps.
- Focus on in-house fabrication of components, thus reducing dependence on external vendors and achieving cost efficiency.
- Use of washed salt to reduce chemical consumption in Caustic Soda plant.
- Reduction in steam and power consumption per tonne of Caustic Soda production.
- Improved heat recovery in power plant.

Alco Chemicals

- Reassembly of membrane stacks resulted in lower consumption of membranes, improvement in quality and yields, thereby reducing raw material costs per unit of output.
- Production of Di-Pentaerythritol increased through improvement in recovery.

- Replacement of chiller unit expected to bring down steam consumption.
- Increased flow of cooling water was utilized in place of chilled water.
- In-house development of new enzymes resulted in higher recovery of Alcohol.
- One of the two biogas engines was converted to Natural Gas to ensure utilization of the engines for generating power even in the event of a shutdown in the distillery.

QUALITY ACCREDITATION AND OHSAS

Both the manufacturing units of the Company during the year renewed the ISO 9001 certification for quality management systems, the ISO 14001 certification for environment management systems and practices, and OHSAS 18001 certification for organizational health and safety systems.

SAFETY AND ENVIRONMENT

The safety record of the Company during 2009-10 was maintained and no accidents were reported from either of the two units.

Sustainable development is in the core ethos of the Company. KCI continued its proactive practices in managing and protecting the environment.

KCI actively pursues a Mercury Management programme based on the Charter on Corporate Responsibility for Environment Protection (CREP) mutually agreed by the Central Pollution Control Board and the Alkali industry, as well as a set of self initiatives undertaken by the Company. As a result, Mercury consumption and emission conform to the required norms.

The Company runs a highly successful 'Waste to Wealth' programme that has evolved in keeping with its focus on sustainable development. Treatment and handling of distillery effluents is a difficult process. KCI's Alco Chemicals Division at Ankleshwar has not only been able to employ effective technologies for treatment but has also been able to make it commercially viable. The

programme is based on unified technology for productive utilisation of waste generated from manufacturing processes. The programme has three components, namely Waste to Water, Waste to Energy and Waste to Soil Nutrients.

The Total Productive Maintenance (TPM) initiatives at KCI's Chloro Chemicals Division continue to infuse safety and environment consciousness at the grassroots level.

RISKS AND CONCERNS

Currently, the Company perceives the following main business risks:

- Threat from imports and consequent pressure on domestic prices.
- Extreme volatility in prices of raw materials and other inputs.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

An adequate system of internal control is in place.

The assets, buildings, plant and machinery, vehicles and stocks of the Company are insured, including for loss of profits.

The key elements of the control system are:

- Clear and well defined organisation structure and limits of financial authority.

- Corporate policies for financial reporting, accounting, information security, investment appraisal and corporate governance.
- Annual budgets and business plans, identifying key risks and opportunities.
- Internal audit for reviewing all aspects of laid down systems and procedures as well as risks and control.
- Risk Management Committee that monitors and reviews all risk and control issues.

HUMAN RESOURCE AND INDUSTRIAL RELATIONS

The Company continuously adopts good HR practices to impart excellence, fairness and transparency in all its operations. Each employee is guided by a detailed Code of Conduct that helps the organisation to achieve its goals in an ethical manner.

KCI regularly conducts training programmes for different levels of employees to ensure mapping of job requirement and skills base. During the year, KCI conducted several training programmes and workshops including behavioural and skill development initiatives.

The industrial relations climate of the Company continues to remain harmonious and cordial with focus on improving productivity, quality and safety.

The number of persons permanently employed by the Company during the year was approximately 993.

Cautionary Statement

Statement in this 'Management Discussion and Analysis' 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 global and Indian demand supply conditions, finished goods prices, feed stock 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 within which the Company conducts business and other factors such as litigation and labour negotiations.

BEYOND BUSINESS



KCI continued to strengthen its initiatives as a socially responsible corporate citizen. While adhering to best practices in safety and health in all its units, its core ethos of sustainable development lies in protecting and preserving the environment and enriching the community around its plants. Such measures not only provide internal satisfaction but also generate goodwill in stakeholders.

More importantly, these initiatives are not all cost. Apart from bringing the community closer, these initiatives significantly improve relations, both within and outside our facilities. It makes greener manufacturing processes by ensuring optimum input usage and reduction of waste. Recycling initiatives generate revenue.



✦ | *Flyash utilization, Renukoot*

Environment

Environment protection is a high priority for the Company. KCI's Chloro Chemicals Division at Renukoot and Alco Chemicals Division at Ankleshwar are both

accredited with ISO-14001 certification for Environment Management. Both Divisions are also certified under OHSAS-18001 (Occupational Health & Safety Assessment Series).

As a long standing strategy, KCI adopts the best available technologies for environment management. It has even pioneered the conceptualisation of new initiatives in water treatment and effluent disposal. The Company's highly successful Waste to Wealth programme at its Alco Chemicals Division at Ankleshwar, which includes extraction of water from distillery effluent, generation of power directly from biogas and manufacture of bio-compost is a case in point to the proactive approach of

KCI Policy on Corporate Social Responsibility

In keeping with the focus of the Company on sustainable development, we strive to enrich the quality of life of people, empower communities, and preserve the environment.

CSR Mission

- We believe that the well being of the community and society in which we reside is of fundamental importance to our business activities.
- We discharge our social responsibility by investing in socially useful projects.
- We strive to act as a catalyst for community development through scientifically designed programmes.
- We operate with transparency and maintain high standards of integrity, business ethics, and corporate governance while engaging positively with our stakeholders.
- We work to maintain a judicious work life balance, safe & healthy work environment for our employees and contract workers

the Company in waste management. The Reverse Osmosis (RO) technology for treatment of distillery effluent pioneered by the Company in India has become an industry standard. Another initiative of the Company in this area is the utilization of flyash generated at its captive thermal power plants at Renukoot. By using bricks made from flyash, KCI has developed a low cost housing complex for contract workers.

An important component of KCI's approach towards sustainable development is also reflected in the choice of technology for manufacturing processes. The Membrane technology for the production of Pentaerythritol, the IRFBC technology in its captive power plant, the Membrane Cell technology for production of Caustic Soda, and the Reverse Osmosis technology deployed for treating distillery effluent, are a few examples of this strategic technology deployment that has kept long term costs low and ensured green processes.

The environment management initiatives of the Company have been recognized time and again. KCI is a recipient of several awards including the Indian Chemical Manufacturers' Association (now rechristened the Indian Chemical Council) awards, namely the ICMA Award for Water Resource Management in Chemical Industry and the ICMA – DM Trivedi Award for introducing Advancement in Technology having a widespread impact on chemical industry. KCI was conferred the TERI (The Energy & Resources Institute) Corporate Excellence Award for Environment Management. For its environment management practices, KCI is also the recipient of the Golden Peacock Eco-Innovation Award from the World Environment Foundation, and the National Award for Fly Ash Utilization jointly awarded by the Department of Science & Technology, the Ministry of Power and the Ministry of Environment & Forests, Government of India.

KCI actively pursues a Mercury management programme, resulting in substantial reduction in mercury consumption and emission in the atmosphere. The Company conforms to the Charter on Corporate Responsibility for Environment Protection (CREP) as designed by the Alkali Manufacturers' Association of India (AMAI).

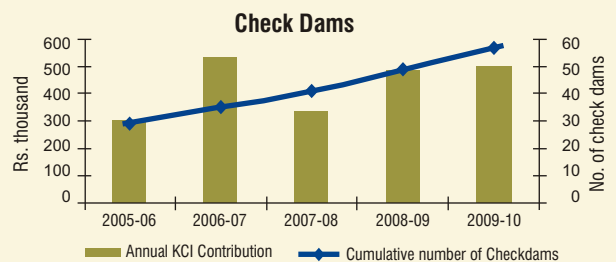
Community Development and Social Responsibility

A. Watershed management

An extremely meaningful community outreach programme of the Company is in the area of watershed management. The programme was developed on the basis of an on-site needs assessment and presently runs in 22 villages within a 50 kilometres radius of Renukoot (District Sonbhadra, Uttar Pradesh).

The programme involves construction of check dams in identified villages in partnership with the local community and the Gram Panchayat (village council). A total of 57 check dams have been constructed and the number is expected to go up to 65 by next year. The shallow ponds created as a result of the check dams become a source of water round the year for both drinking and irrigation purposes. With improved availability of water, villagers can now grow up to three crops in a year on a land where no cropping was earlier possible. Irrigated area has increased from 60 acres to 1,780 acres since the programme was initiated about 10 years ago. This has not only created employment generation opportunities for farmers directly but also to ancillary service providers indirectly. Average earning per acre increased from Rs. 472 to Rs.2,100.

During the year under review, 8 new check dams were constructed benefitting 800 persons.



Check dam under KCI's water harvesting programme.

B. Education

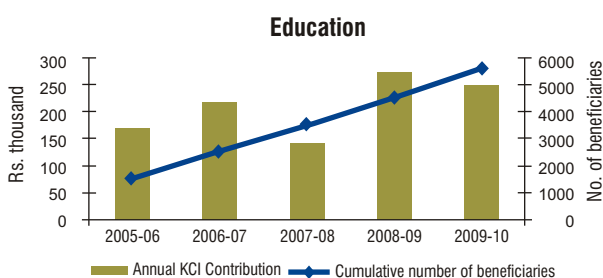
The remoteness of the area around Renukoot and lack of education facilities prompted KCI to contribute to the best of its ability. In fact it was one of the first community initiatives that the Company engaged in.

The Company extends support to the Bhavan's Kesari Devi Kanoria Vidya Mandir, a CBSE affiliated high school within the Company's Renukoot Township. The School celebrated its Silver Jubilee during the year and continues to provide quality education to over 1,200 students.

In addition KCI also extends support to four schools in and around Renukoot. These are:

1. Dakshinanchal Grammodaya Vidya Mandir, a high school in village Babhani that has about 550 students
2. SGSS School in village Khairahi that has about 150 students
3. Mitra Mandal School at Kanoria Gaon that has 70 students, and
4. Naman Matribhumi School at village Majhuali that has 350 students.

During the year KCI contributed to the construction of new classroom at the Naman Matribhumi School.



 *Bhavan's Kesari Devi Kanoria Vidya Mandir, Renukoot*

C. Employment generating programmes

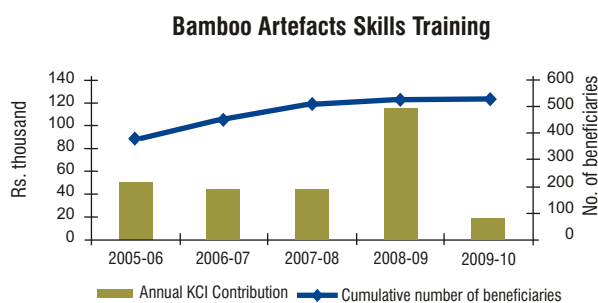
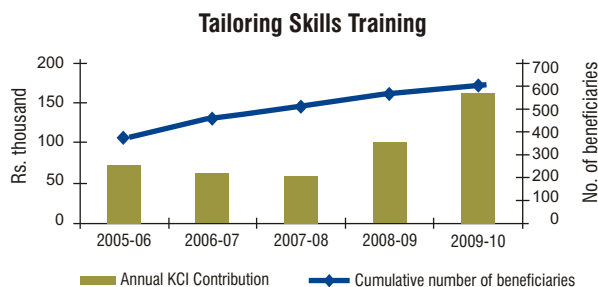
Another important component of KCI's community development programme is providing employment generating avenues with a focus on nurturing traditional crafts and using locally available materials.

The Company's intervention in this area has shifted away from the earlier practice of hands-on involvement. The Company now provides for the 'training of trainers' to pave way for upgrading the skills of bamboo craftsmen and helping them train other people in their community. Considering that this area has matured well and adequate training resources created, KCI has shifted away from bamboo artefacts and is now extending training facilities to local farmers in the area of organic farming. During the year 230 farmers were covered under this training programme in 9 villages.

Under another programme, KCI organises training for village women in the traditional area of tailoring and



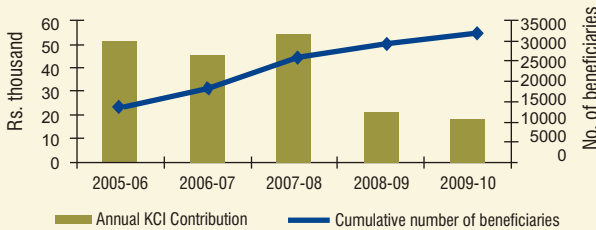
 *Tailoring Skills Training programme*



embroidery. The Company also helps the successful trainees in procuring sewing machines at subsidised rates to enable them to supplement household incomes and to become self-reliant. During the year 38 sewing machines were facilitated.

To encourage villagers in greening of the area while at the same time supplementing their household income, KCI distributes fruit saplings. In the year of review, 3,600 saplings were distributed benefitting 520 persons.

Medical Camps



D. Health & Family Welfare

KCI regularly conducts health camps around its manufacturing locations that benefit hundreds of villagers who normally do not have access to medical facilities in the near vicinity. In the year under review, a total of 24 camps were organised in 12 villages benefitting nearly 4,000 persons.

The Company partners NGOs and activists for creating widespread awareness about Polio & HIV/AIDS. KCI also conducts workshops and training programmes for creating awareness on the ills of female foeticide.

Provision of clean drinking water by regular cleaning of wells has been an integral component of KCI's intervention in promoting healthy lifestyles. During the year 40 wells were cleaned benefitting about 1,000 persons.



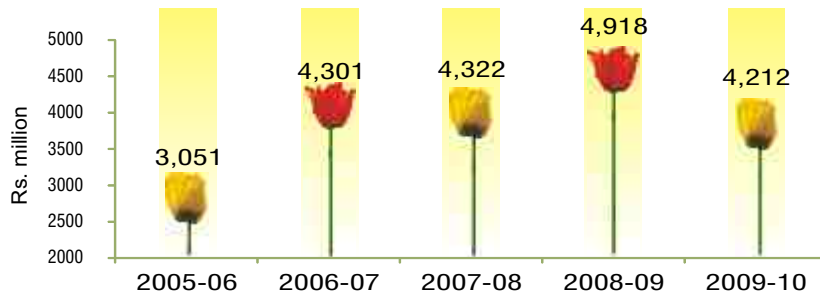
Stakeholder engagement, a key component of KCI's CSR approach

THE DECADE IN RETROSPECT - FINANCIAL HIGHLIGHTS

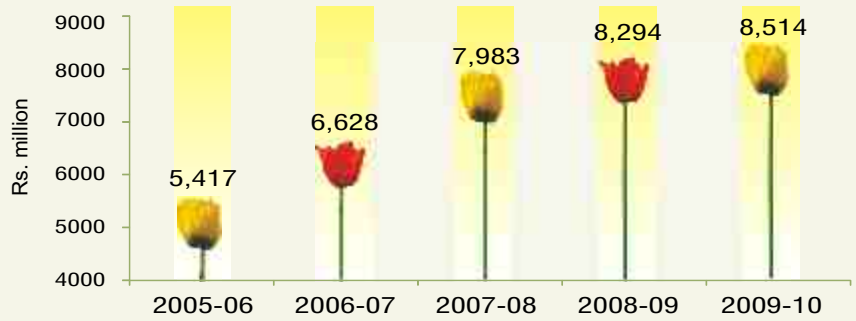
(Rupees in million)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
PROFITABILITY										
Net Sales	2,096.65	2,087.90	2,307.36	2,529.24	2,874.34	3,051.28	4,301.22	4,322.34	4,917.97	4,211.81
Profit before Interest, Depreciation & Tax	478.44	462.30	544.47	523.89	579.82	626.65	842.78	964.35	1,149.59	876.70
Profit before Depreciation & Tax	240.05	264.37	377.74	416.59	464.14	506.45	579.05	710.04	855.19	644.35
Profit before tax	83.65	89.38	161.29	252.32	279.52	302.76	287.30	395.21	228.79	387.94
Profit after Tax	77.75	70.81	127.17	197.97	226.58	263.56	195.03	305.01	146.01	279.75
BALANCE SHEET										
Net Block (incl. CWIP)	2,826.84	2,706.71	2,561.04	2,891.51	3,343.05	4,469.21	4,750.29	5,879.00	5,872.68	5,750.94
Investments	72.72	75.71	51.63	56.11	56.11	56.82	56.82	56.82	56.82	69.16
Net Current Assets	230.03	206.10	256.91	308.42	403.90	412.95	1,406.57	453.20	410.84	349.13
Capital Employed	3,129.59	2,988.52	2,869.58	3,256.04	3,803.06	4,938.98	6,213.68	6,389.02	6,340.34	6,169.23
Created out of										
Share Capital	267.34	267.34	267.34	237.34	197.34	167.34	167.34	281.50	281.50	281.50
Reserves & Surplus	1,454.53	1,149.81	1,197.68	1,325.00	1,444.04	1,648.26	1,777.42	2,051.00	2,039.75	2,169.51
Loan Funds	1,442.71	1,259.65	1,055.95	1,309.24	1,767.43	2,719.32	3,808.45	3,534.60	3,472.61	3,153.36
Deferred Tax Liability	-	326.70	348.61	384.46	394.25	404.06	460.47	521.92	546.48	564.86
Less : Miscellaneous Expenditure to the extent not written off or adjusted	(34.99)	(14.98)	-	-	-	-	-	-	-	-
3,129.59	2,988.52	2,869.58	3,256.04	3,803.06	4,938.98	6,213.68	6,389.02	6,340.34	6,169.23	6,169.23
RATIOS										
OP Margin	22.82%	22.14%	23.60%	20.71%	20.17%	20.54%	19.59%	22.31%	23.38%	20.82%
NP Margin	3.71%	3.39%	5.51%	7.83%	7.88%	8.64%	4.53%	7.06%	2.97%	6.64%
Interest Coverage (Times)	2.01	2.34	3.27	4.88	5.01	5.21	3.20	3.79	3.90	3.77
Basic Earnings per Share (Rs.)	1.25	1.14	2.23	3.69	4.37	5.21	3.89	5.47	2.59	4.97
Equity Dividend	18%	20%	25%	25%	30%	30%	30%	30%	30%	30%
Book Value per Share (Rs.)	30.76	25.39	26.98	29.73	32.10	36.17	38.74	41.43	41.23	43.54
Debt Equity Ratio	0.76	0.76	0.59	0.70	0.96	1.38	1.61	1.15	1.37	1.06
Return on Capital Employed	10.29%	9.61%	11.43%	11.04%	10.39%	8.56%	8.87%	10.17%	8.25%	10.05%
Return on Net Worth	4.73%	5.15%	8.74%	12.67%	13.80%	14.52%	10.03%	13.08%	6.29%	11.41%

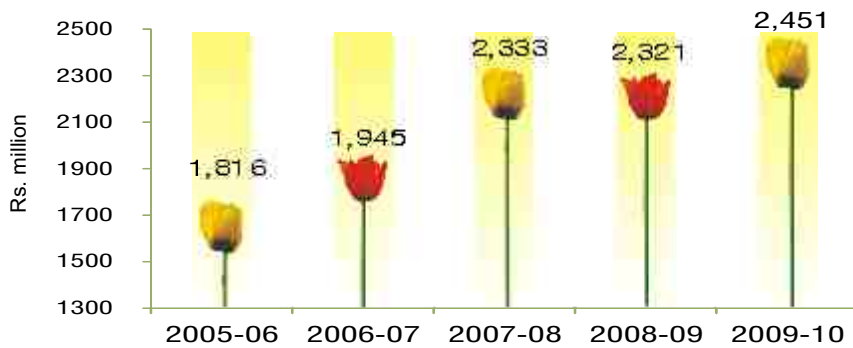
Net Sales

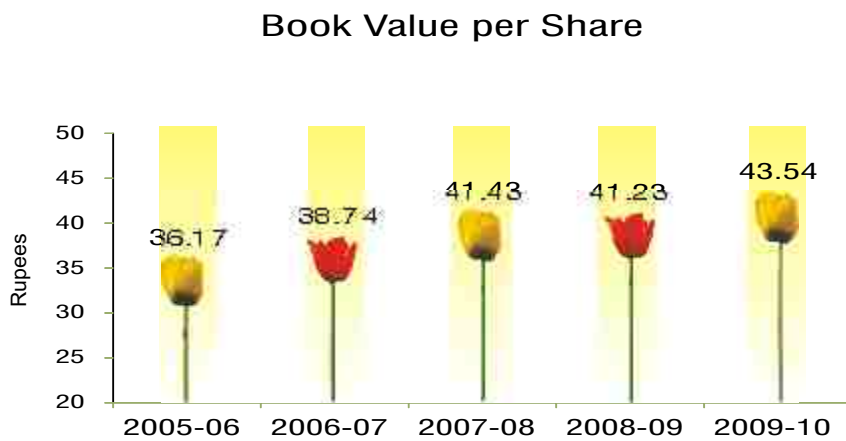
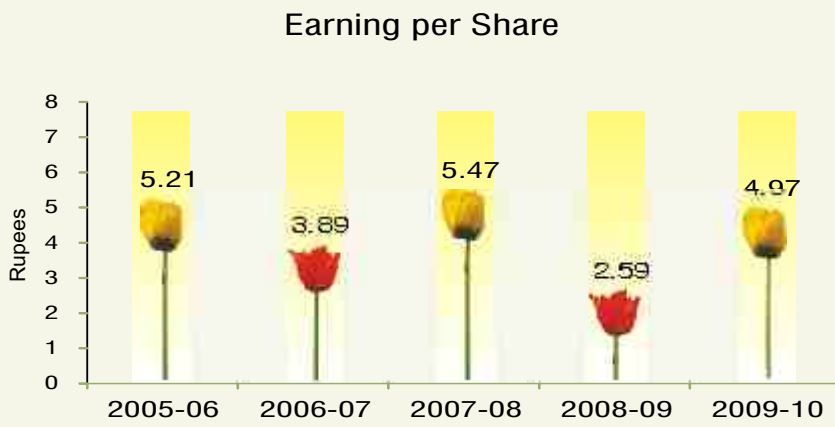
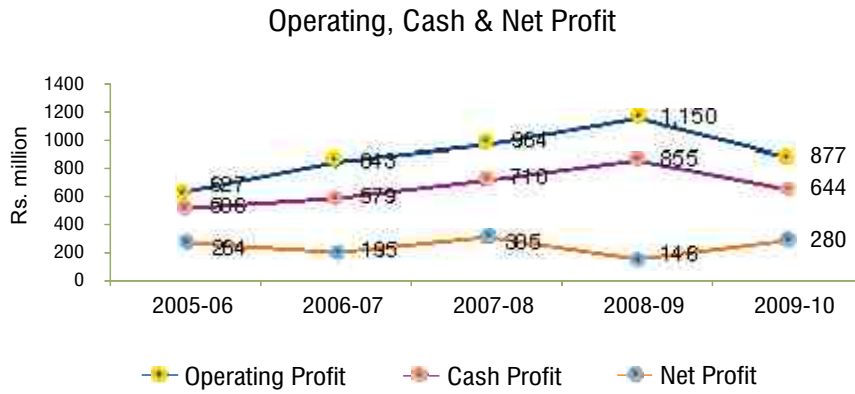


Gross Block



Equity Shareholders Fund





VALUE



DIRECTORS' REPORT

TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Fiftieth Annual Report along with the Audited Accounts of the Company for the year ended 31st March 2010.

The detailed information on the performance of your Company appears in three sections of the Annual Report under the titles Consolidation, Year in Review and Beyond Business. A discussion on the operations of the Company is given in the section titled Year in Review. Some of the statutory disclosures, however, appear in this Report. Read along with the other sections, this would provide a comprehensive overview of the Company's performance and plans.

FINANCIAL HIGHLIGHTS - THE YEAR IN RETROSPECT

The net sales turnover of the Company during the year under review was Rs. 4,211.81 million as against Rs. 4,917.97 million in the previous year. The operating profit was Rs. 876.70 million compared to Rs 1,149.59 million in the previous period. The profit after tax at Rs. 279.75 million was higher by 91.60 % as against Rs.146.01 million in the previous year.

WORKING RESULTS

	(Rs. in million)	
	2009-2010	2008-2009
Operating profit	876.70	1,149.59
Less: Interest & Finance Charges	232.35	294.40
Profit before Depreciation & Tax	644.35	855.19
Less: Depreciation & Amortisation	399.56	382.97
Profit before Exceptional Items & Tax	244.79	472.22
Exceptional Items	143.15	(243.43)
Profit before Tax	387.94	228.79
Add: Taxation for earlier years	0.71	0.80
Less: Provision for Taxation - Current	62.28	25.96
- Fringe Benefits	-	2.83
- Deferred	46.62	54.79
Net Profit	279.75	146.01
Add: Balance as per last account	231.87	204.42
	511.62	350.43
Appropriations		
Proposed Dividend on Equity Shares	84.44	84.44
Provision for Dividend Tax	8.77	14.12
Transfer to General Reserve	150.00	20.00
Balance carried to Balance Sheet	268.41	231.87
	511.62	350.43

OVERVIEW

The first phase of the Company's Greenfield project at Vishakhapatnam for manufacturing 105,000 TPA and 5,600 TPA of Formaldehyde and Hexamine respectively is in progress and is expected to be commissioned by September 2010.

The Company also entered into a Joint Venture Agreement with Soluciones Extractivas Alimentarias S.L.A., Spain. The Company together with its subsidiary and associates is a minority stakeholder (26%) in the joint venture for setting up a flavours and fragrance manufacturing facility at Vishakhapatnam. The work on the project is progressing in phased manner as per schedule. The first phase of the project is likely to be completed by the last quarter of 2010.

During the year, there was shut down of one Power Plant at Renukoot from 25th August 2009 to 19th October 2009 due to break down of generator. After repair, the generator again broke down on 28th October 2009. However, the same has been repaired and put to use from 12th March 2010. Currently it is running at 75 - 80% capacity. Efforts are being made to achieve the rated capacity. The generator will be replaced by a new one.

DIVIDEND

The Board of Directors recommends, for consideration of shareholders at the Annual General Meeting, a Dividend @ of 30% (Rs. 1.50 per share) on Equity Shares of Rs. 5 each that have been allotted up to 30th April, 2010 (being the date of this Directors' Report) and any further Equity Shares, that may be allotted by the Company on conversion of Foreign Currency Convertible Bonds prior to 15th July 2010 (being the Book Closure date for the purpose of dividend entitlement), for the year ended 31st March 2010.



FOREIGN CURRENCY CONVERTIBLE BONDS

As per the terms of issue, the Foreign Currency Convertible Bonds of US\$ 20 million, issued by the Company are optionally convertible into Equity Shares at any time from 5th June 2006 to close of business on 27th May 2011 and unless converted, are redeemable on 7th June 2011, subject to the terms of issue. As at the end of the year, the entire FCCBs were outstanding.

CREDIT RATINGS

The Company has been assigned PR1+ (PR One Plus) rating for short term facilities by Credit Analysis & Research Limited (CARE). This is their highest rating for short term debt obligations and it signifies strong capacity for timely payment of short term debt obligations and the lowest credit risk.

CARE has also assigned CARE A+ (Single A Plus) rating to the Company for long term facilities. This rating signifies adequate safety for timely servicing of the debt obligations and low credit risk.

FIXED DEPOSITS

The Company has neither accepted nor renewed any Fixed Deposits from the public during the year and as on 31st March 2010, there were no outstanding deposits.

CONSOLIDATED ACCOUNTS

As per the Listing Agreement with the Stock Exchanges, Consolidated Financial Statements have been annexed with the Financial Results of the Company.

DIRECTORS

Shri T. D. Bahety has been re-appointed as Wholetime Director of the Company for a period of three years with effect from 20th May, 2010, subject to the approval of the members in the ensuing Annual General Meeting. Necessary resolutions for the approval of his appointment and remuneration payable to him have been included in the Notice of Annual General Meeting.

Shri H. K. Khaitan, Shri J. P. Sonthalia and Shri Ravinder Nath retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

None of the Directors of the Company is disqualified for being appointed as Director, as specified in Section 274 (1) (g) of the Companies Act, 1956.

Brief resumes of the above Directors, names of other companies in which they hold directorship, chairmanships and/or memberships of Committees of the Boards and their shareholdings in the Company are given in the Section on Corporate Governance and in the Notice to the Shareholders.

AUDIT COMMITTEE

The Audit Committee consists wholly of Independent Directors having requisite knowledge and expertise in finance, accounts and corporate laws. The terms of reference of this Committee encompass the whole of the provisions contained in the SEBI Code as well as Section 292A of the Companies Act, 1956. The Committee is chaired by Shri Amitav Kothari and includes Shri B. D. Sureka and Shri H. K. Khaitan as its members.

CORPORATE GOVERNANCE

Good governance practices are ingrained in the business ethos of KCI.

Corporate Governance at KCI extends to all stakeholders and is embodied in every business decision. The Company places prime importance on reliable financial information, integrity, transparency, empowerment and compliance with the law in letter and spirit. The Management certifies its adherence to the Listing Agreement with the Stock Exchanges. While Management Discussion and Analysis that is an annexure to the Directors' Report, appears in the Section titled Year in Review in the Annual Report, the Corporate Governance Report and the Certificate from the Auditors of the Company confirming compliance of the conditions of Corporate Governance are annexed hereto and form a part of the Directors' Report.

CRISIL has assigned '**CRISIL GVC Level 3**' rating to the Company on corporate governance and value creation (GVC). The rating indicates that the Company's capability with regard to corporate governance and value creation for all its stakeholders is high.

There is a conscious effort to ensure that the values enshrined in the Codes of Conduct for the Board of Directors and employees respectively, are followed in true spirit across all levels of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

As required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the statements containing necessary information in respect of conservation of energy, technology absorption, foreign exchange earnings and outgo are annexed hereto and form a part of the Directors' Report.

SAFETY AND ENVIRONMENT

The Company is committed to sustainable development. The Company's environment management is guided by the principle of provision of safe environment through continuous up-gradation of technologies, prevention of pollution and conservation of resources. Its highly successful fly ash utilisation programme at Renukoot and 'Waste to Wealth' programme at Ankleshwar substantiate the Company's approach in this area. Converting waste into reusable water, distillery effluent into bio-compost and generating energy from biogas are some of the components of the Company's environment management initiatives.

As a result of its sustained compliance of Health, Safety, Environment and Quality standards, the Company's Chloro Chemical Division at Renukoot as well as Alco Chemical Division at Ankleshwar are certified under OHSAS 18001 (Occupational Health & Safety Assessment Series). Both divisions were also re-certified with ISO 9001 and ISO 14001 after surveillance audit for the year 2009-10.

The Company has established a Health & Safety Policy that is displayed and communicated to all employees at plant locations. With an aim to achieve 'Zero Accidents', the Company has developed health and safety procedures and has set safety targets and objectives. The Company has also initiated efforts to create grass root level awareness on safety through the concept of Total Productive Maintenance (TPM). All these efforts have resulted into a safe and accident-free year.

The Company puts thrust on renewable energy sources such as bio-power and wind power.

During the year, the Company initiated a number of measures that have resulted in product quality improvement and better utilization of effluents.

The Company has created and maintains large tracts of greenery in and around its Renukoot plant. Around 60% of its land is covered with plantations of different types and the balance encompasses the manufacturing plant, residential staff quarters and other facilities.

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS

The human resource development initiatives of the Company are guided by a strong set of values and policies. The spirit of trust, transparency and dignity along with improved working facilities has contributed to continuous growth of the Company. The Company's commitment to building meaningful employee engagement has resulted in significant enhancement in quality and productivity. The Company has been providing necessary training on 'ongoing basis' to its employees at different levels by in-house and outside faculty.

Industrial relations with the employees and workers across all locations of the Company continued to be cordial during the year.

During the year, a wage agreement has been entered with the workmen at Alco Chemical Division at Ankleshwar for a period of 3 years effective from January 2009.

A wage agreement is under negotiation with the workmen at Chloro Chemical Division at Renukoot for a period of 3 years effective from January 2010.

As required under Section 217(2A) of the Companies Act, 1956 and the rules framed thereunder, the names and other particulars of employees receiving remuneration above prescribed threshold are set out in the annexure appended to this Report.

SOCIAL CONTRIBUTION

Social welfare and community development is at the core of KCI's Corporate Social Responsibility philosophy and forms part of its larger social commitment. This is evident from the Company's unique participatory approach towards community development that has generated tangible benefits to the people, particularly in the 22 villages near Renukoot that the Company has adopted. The result of this approach can be evaluated in terms of improved access to water, education and health facilities as well as opening avenues for self-employment. As part of its income-generating initiatives, the Company assists villagers in employment generating programmes involving agriculture, forestry, and traditional crafts like bamboo artefacts, tailoring and basket weaving.

KCI is also engaged in making positive contribution for controlling diseases like AIDS and Polio as well as in providing opportunities to disabled persons. The Company, in association with NGOs, is also actively engaged in creating awareness about the ills of female foeticide.

It may be noted that the Company is a past recipient of the prestigious ICC Award for Social Responsibility by Indian Chemical Council.

SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act, 1956, the audited Statement of Accounts, the Report of the Board of Directors and Auditors' Report for the year ended 31st March 2010 of Pipri Limited, a subsidiary of the Company, are annexed to the Annual Report. The statement required under Section 212 of the Companies Act, 1956 in respect of the subsidiary company is also appended to the Annual Report.

AUDITORS

Messrs Singhi & Co., Chartered Accountants, Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The observations of the Auditors are in the nature of general disclosures and are self-explanatory.



DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby confirms:

- i) That in the preparation of the annual accounts, all the applicable accounting standards have been followed.
- ii) That the Directors have selected such accounting policies 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 at the end of the financial year and of the profit of the Company for the year ended 31st March 2010.
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors acknowledge with gratitude the commitment and dedication of the employees for their untiring personal efforts as well as their collective contributions at all levels that have led to the growth and success of the Company. The Directors would like to thank other stakeholders including lenders and business associates who have continued to provide support and encouragement.

Registered Office

'Park Plaza'
71, Park Street
Kolkata - 700 016
Dated, the 30th day of April 2010

For and on behalf of the Board

R.V. Kanoria
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

Measures taken, additional investments and impact of the measures

The Company continues its initiatives to reduce energy consumption as follows:

- Replacement of old Cooling Towers for increasing efficiency.
- Replacement of higher size motors with correct size motors after energy calculation.
- Replacement of conventional Motors, Pumps and Blowers with energy efficient Motors, Pumps and Blowers.
- Replacement of Vapour Absorption machine with energy efficient machine.

Total energy consumption and energy consumption per unit of production as per form 'A' for disclosure of particulars with respect to Conservation of Energy is given below:

Power and Fuel Consumption

		2009-2010	2008-2009
Electricity			
i) a) Purchased (includes inter unit transfer)			
Unit (thousand KWH)		242,277	283,717
Total Amount (Rs. million)		933.06	1,127.06
Rate/Unit (Rs.)		3.85	3.97
b) Own Generation			
Through Diesel Generator			
Units (thousand KWH)		90	480
Units per litre of Diesel Oil		2.86	3.52
Cost/Unit (Rs.)		8.42	8.78
ii) Power Generation Division			
Through steam turbine/generator			
Units (thousand KWH) (Net)		268,472	314,681
Cost/Unit (Rs.) (Coal & Fuel oil)		1.82	1.54
iii) Other Internal Generation			
Units (thousand KWH)		16,035	19,150
Cost/Unit (Rs.)		3.88	3.16
Coal			
i) Coal (used for generation of steam in boilers)			
Quantity (M.T.)		19,918	22,909
Total Amount (Rs. million)		45.79	58.42
Average Rate/M.T. (Rs.)		2,299.04	2,550.18
ii) Coal (used for generation of Electricity)			
Quantity (M.T.)		274,833	330,246
Total Amount (Rs. million)		485.80	480.97
Average Rate/M.T. (Rs.)		1,767.63	1,456.41
Furnace Oil			
Quantity (Litres)		531,657	1,056,822
Total Cost (Rs. million)		16.28	32.39
Average Rate/Ltr. (Rs.)		30.62	30.65
Diesel Oil			
Quantity (Litres)		122,020	128,049
Total Cost (Rs. million)		3.56	3.85
Average Rate/Ltr. (Rs.)		29.18	30.10
Natural Gas			
Quantity (thousand SM ³)		10,595	11,918
Total Cost (Rs. million)		135.95	131.05
Cost/Unit (Rs.)		12.83	11.00
Consumption per unit of production			
Electricity (KWH)			
Caustic Soda	M.T.	2,687	2,817
Pentaerythritol	M.T.	1,047	1,111
Industrial Alcohol	K.L.	391	237

B. TECHNOLOGY ABSORPTION

Efforts made in Technology Absorption as per Form 'B' are given below:

1. Research & Development (R & D)

a) Specific areas in which efforts are being made:

- Process development for production of different grades of Chlorinated Paraffin.
- Development of Enzyme blends for improvement of recovery of Alcohol.
- Improvement in process to improve purity of Sodium Formate.
- Improvement in Filtration to improve quality of Pentaerythritol and Hexamine.

b) Benefits derived as a result of above efforts:

- Increased access to international markets for Chlorinated Paraffins.
- Alcohol recovery has improved.
- Quality of Sodium Formate has improved and membranes consumption reduced.
- The quality of Pentaerythritol and Hexamine is expected to improve.

c) Future plan of action:

- Audit of Compressed Air System has been completed. Consultant's recommendation is awaited for suitable single high capacity efficient compressor in place of various small compressors of different plants.

d) Expenditure on R & D:

- | | |
|---------------|---|
| i) Capital | Expenses incurred are charged to respective heads and not allocated separately. |
| ii) Recurring | |

2. Technology absorption, adaptation and innovation

a) Efforts made:

- By providing temperature switch in cooling water circuit, one Cooling Tower Fan is switched off automatically to reduce running hours.
- Using of Cooling Water in place of chilled water in Formaldehyde plant.

b) Benefits derived as a result of the above efforts:

- It has resulted in power saving
- Substantial saving of steam used in chilled water.

c) Technology imported during the last five years :

Technology Imported	Year of Import	Has the Technology been fully absorbed	If not fully absorbed, areas where this has not taken place, reasons thereof and plans of action
Formox AB of Sweden (Formaldehyde Process Technology)	2008-09	Under implementation	Not Applicable

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Export activities:

During the year, the Company has exported Caustic Soda Flakes, Liquid Chlorine, Stable Bleaching Powder, Aluminium Chloride, Chlorinated Paraffin, Pentaerythritol, Di-Pentaerythritol, Formalin (Formaldehyde) and Sodium Formate to various countries including Australia, Bangladesh, Belgium, Brazil, China, Egypt, France, Germany, Greece, Indonesia, Iran, Italy, Israel, Japan, Jordan, Kenya, Korea, Latvia, Lebanon, Malaysia, Myanmar, Mexico, Nepal, Nigeria, Netherlands, Pakistan, Poland, Romania, Saudi Arabia, Spain, Singapore, South Africa, Taiwan, Tanzania, Thailand, Turkey, USA, UAE, UK, and Vietnam. Efforts are being made to step up exports.

b) Total foreign exchange used and earned:

Used	Rs. 490.96 million
Earned	Rs. 482.06 million

For and on behalf of the Board

Registered Office

'Park Plaza'
71, Park Street
Kolkata - 700 016
Dated, the 30th day of April 2010

R.V. Kanoria
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956, forming part of the Directors' Report for the year ended 31st March 2010

Name	Designation	Remuneration (Rs.)	Qualification(s)	Age (Years)	Experience (Years)	Date of joining	Last Employment
Kanoria R.V.	Chairman & Managing Director	16,071,853	B.Sc., MBA (Hons)	55	36	10.01.1983	-
Sonthalia J. P.	Managing Director (Designate) - Chloro Chemicals	6,004,291	B. Tech. Chemical Engineering, MBA	65	42	01.02.2007	P T Tirta Bahagia Ltd., Indonesia, CEO
Bahety T.D.	Wholetime Director	5,326,290	B.Sc., Chemistry (Hons), Jute Technologist	70	52	08.09.1988	Hastings Mill, General Manager
Kak S. K.*	CEO - Business Development	2,353,369	B.A., P.G. in Management	54	28	01.08.2009	KPL International Ltd. - Managing Director
Maheshwari A.	Chief Strategic Advisor	3,091,117	FCA, ACS	50	28	01.10.2008	Intrust Global eServices Pvt. Ltd. Managing Director
Bhide V.	VP Technical-Projects	2,582,432	B.E. Chemicals	45	25	16.11.2005	United Phosphorus Ltd - DGM (Works)

* Employed w.e.f. 1st August 2009

Notes :

1. Remuneration includes Salary, Commission, House Rent Allowance, Bonus, Company's contribution to Provident Fund, Leave Travel Assistance, Medical and other facilities, as applicable.
2. All appointments, except Shri S. K. Kak, Shri A. Maheshwari and Shri V. Bhide's appointment, are contractual.
3. None of the above employees is a relative of any Director of the Company.
4. None of the above employees holds more than 2% of Paid up Capital of the Company.

For and on behalf of the Board

Registered Office

'Park Plaza'
71, Park Street
Kolkata - 700 016
Dated, the 30th day of April 2010

R.V. Kanoria
Chairman & Managing Director

Statement Regarding Subsidiary Company Pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary Company	Financial Year ended	Holding Company's Interest
Pipri Limited	31 st March 2010	100%
	For the Financial year ended 31 st March 2010 (Rs.)	For the previous Financial years (Rs.)
i) Net aggregate amount of Subsidiary Profit which concerns the members of the Holding Company and not dealt with in the Company's Accounts	NIL	17,964,815
ii) Net aggregate amount of Subsidiary Profit dealt with in the Company's Account	30,228,575	19,037,283

The financial year of the Subsidiary coincides with the Financial year of the Holding Company and as such Section 212 (5) of the Act is not applicable.

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

Dated, the 30th day of April 2010

REPORT ON CORPORATE GOVERNANCE

INTRODUCTION

Your Company has complied with the provisions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges.

A report on the implementation of Corporate Governance by the Company as per the Listing Agreement is given below.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is commitment to values and integrity in directing the affairs of the Company. It is an integral part of the Company's strategic management. Its basic tenets - adherence to ethical business practices; delegation; responsibility and accountability; honesty and transparency in the functioning of management and the Board; true, complete and timely disclosures; and compliance of law, ultimately result in maximising shareholders value and in protecting the interests of stakeholders.

The Company is committed to and always strives for excellence through adoption of and adherence to good corporate governance in the true spirit.

The Company is guided by a well-balanced Board comprising Directors, who are all outstanding professionals of eminence and integrity. Strategic management by a professional Board is the focal point of the Company's Corporate Governance philosophy and practice.

A core group of top-level executives further strengthens and reinforces the foundation of Corporate Governance in the Company. Competent professionals across the organisation have put in place the best in terms of systems, processes, procedures and technologies.

BOARD OF DIRECTORS

Composition

The Board as on 31st March 2010 consisted of ten Directors including seven Non-executive Independent Directors. Shri R.V. Kanoria, B.Sc., MBA (Hons.), representing the promoters is holding executive position and is designated as the Chairman & Managing Director of the Company. He has 36 years of commercial and industrial experience. Shri J. P. Sonthalia, MBA and Chemicals Engineer, having 42 years experience in the fields of engineering and all areas of Management and Operations, is Managing Director (Designate) – Chloro Chemicals. Shri T.D. Bahety, B.Sc., Chem (Hons), Jute Technologist, having 52 years of industrial experience, is Wholetime Director of the Company.

During the year under review the Board met five times, on 5th May 2009, 31st July 2009, 29th October 2009, 19th December 2009 and 25th January 2010.

The constitution of the Board during the year ended 31st March 2010 and attendance at the Board Meetings, last Annual General Meeting and the Directorship, Chairmanship and/or Membership of Committees held as on 31st March 2010 by each Director in other companies are as under:

Name of Director	Attendance at		Category of Directors	Other Directorship ¹	Other Committee Chairmanship ²	Other Committee Membership ²
	Board Meetings	Last AGM				
Shri R.V. Kanoria	5	Yes	Promoter - Chairman & Managing Director	7	-	1
Shri Amitav Kothari	5	Yes	Independent Director	2	-	2
Shri H.K. Khaitan	5	Yes	Independent Director	4	2	-
Shri Ravinder Nath	5	Yes	Independent Director	3	1	1
Shri G. Parthasarathy	5	Yes	Independent Director	-	-	-
Prof. S.L. Rao	5	Yes	Independent Director	5	4	3
Shri B.D. Sureka	3	Yes	Independent Director	5	-	-
Shri A. Vellayan	1	No	Independent Director	5	-	3
Shri J. P. Sonthalia	5	Yes	Executive Director	-	-	-
Shri T.D. Bahety	5	Yes	Executive Director	-	-	-

¹ This excludes Directorship held in Indian Private Limited Companies, Foreign Companies, Companies under Section 25 of the Companies Act, 1956 and Membership of various Chambers of Commerce and Non-Corporate Organisations.

² Committee includes Audit Committee and Shareholders'/Investors' Grievance Committee.

Notes

- None of the Directors is related to any other Director.
- None of the Directors has any business relationship with the Company.
- None of the Directors received any loans and advances from the Company during the year.
- None of the Directors holds Directorships in more than 15 Indian Public Limited Companies.
- All the Directors have certified that the disqualifications mentioned under Section 274(1)(g) of the Companies Act, 1956 do not apply to them.

Responsibilities

The Board's prime concentration is on strategy, policy and control, delegation of power and specifying approvals that remain in the Board's domain besides review of corporate performance and reporting to shareholders. The Board and Management's roles are clearly demarcated.

The Management is required to:

- (a) provide necessary inputs and basis to assist the Board in its decision making process in respect of the Company's strategies, policies, performance targets and code of conduct;
- (b) manage day-to-day affairs of the Company to achieve targets and goals set by the Board in the best possible manner;
- (c) implement all policies and the code of conduct as approved by the Board;
- (d) provide timely, accurate, substantive and material information, including on all financial matters and any exceptions, to the Board and/or its Committees;
- (e) ensure strict compliance with all applicable laws and regulations; and
- (f) implement sound and effective internal control systems.

The management and the conduct of the affairs of the Company lies with the Managing Director (De-facto the Chief Executive Officer) who heads the management team. The Managing Director (Designate) and the Wholetime Director (De-facto the Chief Operating Officers) hold operational responsibility for the day-to-day activities of the respective units under their charge. They are entrusted with the task of ensuring that all management functions are executed professionally and are accountable to the Board for their actions and results.

Role of Independent Directors

The Independent Directors play an important role in deliberations and decision-making at the Board Meetings and bring to the Company wide experiences in their respective fields. They also contribute in significant measure to Board Committees. Their independent role vis-à-vis the Company means that they have a special contribution to make in situations where they add a broader perspective by ensuring that the interests of all stakeholders are kept in acceptable balance and in providing an objective view in instances where a (potential) conflict of interests may arise between stakeholders.

BOARD MEETINGS

Selection of Agenda Items for Board Meetings

- i) The Company holds a minimum of four Board Meetings in each year, which are pre-scheduled after the end of each financial quarter. Apart from the four pre-scheduled Board Meetings, additional Board Meetings are convened by giving appropriate notice to address the specific needs of the Company.
- ii) All divisions and departments in the Company are encouraged to plan their functions well in advance, particularly with regard to matters requiring discussion and approval by the Board or by Committees. All such matters are communicated to the Company Secretary in advance so that these may be included in the Agenda for the Board or Committee Meetings.
- iii) At the beginning of each meeting of the Board, the Chairman & Managing Director briefs the Board members about the key developments relating to the Company.
- iv) At each of the four pre-scheduled Board Meetings, managers are invited to make presentations on the major business segments and operations of the Company before taking on record the results of the Company for the preceding financial quarter. Sufficient support information is provided to the Board in advance for all strategic matters of significance pertaining to expansion plans, financing and diversifications. These are discussed and deliberated in detail at the Board level.
- v) The Board's annual agenda includes recommending dividend, determining Directors who shall retire by rotation and recommending appointment of Directors and Auditors, authentication of annual accounts and approving the Directors' Report, long term strategic plan for the Company and the principal issues that the Company expects to face in the future. Board Meetings also note and review functions of its Committees.

The Chairman of the Board and the Company Secretary in consultation with other concerned persons in senior management finalise the agenda papers for the Board Meeting. Directors have access to the Company Secretary's support for all information of the Company and are free to suggest inclusion of any matter in the Agenda.

Board Material Distributed in Advance

- i) Agenda Papers are circulated to the Directors in advance. All material information is incorporated in the Agenda Papers for facilitating meaningful and focussed discussions at the Meeting. Where it is not practicable to attach any documents to the Agenda, the same are placed on the table at the Meeting with specific reference to this effect in the Agenda.
- ii) In special and exceptional circumstances, additional or supplementary items on the Agenda are permitted to be taken at the Meeting.

Recording Minutes of Proceedings at Board/Committee Meetings

The Company Secretary records the minutes of the proceedings of each Board and Committee Meeting. Draft Minutes are circulated to all the members of the Board for their comments. The minutes of proceedings of a Meeting are entered in the Minutes Book within 30 days from the conclusion of the Meeting.

Compliance

The Company Secretary while preparing the agenda, notes on agenda and minutes of the Meetings, is responsible for and is required to ensure adherence to all the applicable provisions of law including the Companies Act, 1956 and the Secretarial Standards recommended by the Institute of Company Secretaries of India.

BOARD COMMITTEES

To enable better and focussed attention on the affairs of the Company, the Board delegates specific matters to its Committees. These Committees also prepare the groundwork for decision-making and report at the subsequent Board Meetings. No matter, however, is left to the final decision of any Committee, which under the law or the Articles may not be delegated by the Board or may require the Board's explicit approval. Minutes of the Committee Meetings are circulated to all Directors and discussed at the Board Meetings.

Audit Committee

The terms of reference, role and scope are in line with those prescribed by Clause 49 of the Listing Agreement with the Stock Exchanges. The Company also complies with provisions of Section 292A of the Companies Act, 1956 pertaining to Audit Committee and its functioning.

The Audit Committee consists wholly of Independent Directors having requisite knowledge of finance, accounts and Company law. The terms of reference of this Committee encompass the whole of that contained in the SEBI code as well as under Section 292A of the Companies Act, 1956. Shri Amitav Kothari is the Chairman of the Committee. Shri B. D. Sureka and Shri H. K. Khaitan are the other members of the Committee.

During the year under review, the Committee met four times, on 5th May 2009, 31st July 2009, 29th October 2009 and 25th January 2010.

Attendance of Members at Audit Committee Meetings held during the year 2009-10:

Name of Director	No. of Meetings attended
Shri Amitav Kothari	4
Shri H.K. Khaitan	4
Shri B.D. Sureka	3

Shareholders'/Investors' Grievances Committee

This Committee is formed to specifically look into Shareholders'/Investors' grievances.

Shri N.K. Sethia, Company Secretary and Compliance Officer under the relevant regulations, has been delegated authority to attend to Share transfer formalities at least once in a fortnight. There are no pending share transfers except sub-judice matters, which would be solved on final disposal by Hon'ble Courts. This Committee is chaired by Shri B.D. Sureka and includes Shri H.K. Khaitan and Shri T.D. Bahety as its members. During the year under review, the Committee met four times, on 5th May 2009, 31st July 2009, 29th October 2009 and 25th January 2010.

Attendance of Members at Shareholders'/Investors' Grievances Committee Meetings held during the year 2009-10:

Name of Director	No. of Meetings attended
Shri B.D. Sureka	3
Shri H. K. Khaitan	4
Shri T.D. Bahety	4

Remuneration and Selection Committee

The Remuneration and Selection Committee is constituted to review and recommend the remuneration of Managing and Wholetime Directors, based on performance and defined criteria and to perform the functions as prescribed under Section 314 (1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003.

The Committee consists of three independent Directors to determine, on behalf of the Board and Shareholders, the Company's policy on specific remuneration packages for Managing and Wholetime Directors, and to perform the functions as prescribed under Section 314 (1B) of the Companies Act, 1956. This Committee is chaired by Prof. S.L. Rao and includes Shri Ravinder Nath and Shri H.K. Khaitan as its members.

During the year under review, two meetings of the Committee were held. The first meeting on 5th May 2009 for annual increment of Shri T.D. Bahety, Wholetime Director and Shri S.V. Kanoria – Vice President (Projects), and the second on 25th January 2010 for annual increment of Shri R. V. Kanoria, Managing Director and Shri J.P. Sonthalia, Managing Director (Designate) – Chloro Chemicals, as well as approval to the holding of office or place of profit in the Company by Shri S. V. Kanoria, a relative of Shri R. V. Kanoria, Managing Director of the Company, as Chief Executive (Vizag Division). These are, as and when required, subject to the approval of the shareholders and the Central Government.

Attendance of Members at Remuneration and Selection Committee Meetings held during the year 2009-10:

Name of Director	No. of Meetings attended
Prof. S.L. Rao	2
Shri H.K. Khaitan	2
Shri Ravinder Nath	2

The remuneration policy of the Company is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing Industry practice.

The Managing Director, Managing Director (Designate) – Chloro Chemicals and the Wholetime Director are paid remuneration as per their agreements with the Company. These agreements are placed for approval before the Board and the shareholders and such other authorities as may be necessary. The remuneration structure of the Managing Director, Managing Director (Designate) – Chloro Chemicals and the Wholetime Director comprises salary, commission, perquisites and other benefits. There are no stock option benefits to any of the Directors.

The Managing Director, Managing Director (Designate)-Chloro Chemicals and the Wholetime Director are not paid sitting fee for attending Meetings of the Board or Committees thereof. Other Directors are being paid a sitting fee of Rs.20,000 for attending each Board Meeting and Rs.5,000 for attending each Committee Meeting.

Details of Remuneration paid or payable to Directors for the Financial Year ended 31st March 2010

(Figures in Rupees)

Name of the Director	Salary	Perquisites and other benefits	Commission	Sitting Fees*	Total
Shri R.V. Kanoria	4,386,871	3,561,722	8,123,260	-	16,071,853
Shri Amitav Kothari	-	-	-	120,000	120,000
Shri H.K. Khaitan	-	-	-	150,000	150,000
Shri Ravinder Nath	-	-	-	115,000	115,000
Shri G. Parthasarathy	-	-	-	105,000	105,000
Prof. S.L. Rao	-	-	-	110,000	110,000
Shri B.D. Sureka	-	-	-	95,000	95,000
Shri A. Vellayan	-	-	-	20,000	20,000
Shri J. P. Sonthalia	2,777,940	448,411	2,777,940	-	6,004,291
Shri T.D. Bahety	1,904,400	1,517,490	1,904,400	-	5,326,290

* Includes Sitting Fee paid for Committee Meetings.

Details of Agreement

Name	From	To	Tenure
Shri R.V. Kanoria	10.01.2009	09.01.2012	3 years
Shri J. P. Sonthalia*	01.02.2007	31.01.2012	5 years
Shri T.D. Bahety**	20.05.2007	19.05.2010	3 years

* For termination of agreement, the Company and the Managing Director (Designate) – Chloro Chemicals are required to give a notice of six months or six months' salary in lieu thereof.

** For termination of agreement, the Company and the Whole time Director are required to give a notice of three months or three months' salary in lieu thereof.

Equity Shares of Kanoria Chemicals & Industries Limited held by Directors

The Directors, who hold the Equity Shares of the Company as on 31st March 2010 are Shri R.V. Kanoria (434,985), Shri B.D. Sureka (1,500), Shri T.D. Bahety (3,024), Shri A. Vellayan (15,000), Shri J. P. Sonthalia (3) and no other Director of the Company holds any Equity Share of the Company except qualification shares held jointly with others.

Finance Committee

The Finance Committee consists of four Directors to determine on behalf of the Board, the matters relating to Debentures, Term Loans and any other types of Financial Assistance from Financial Institutions, Banks, Mutual Funds and Others, creation of securities and allotment of securities etc.

This Committee is chaired by Shri R.V. Kanoria and includes Shri H.K. Khaitan, Shri B. D. Sureka and Shri T.D. Bahety as its members. During the year under review, the Committee met two times, on 2nd March 2010 and 10th March 2010.

Attendance of Members at Finance Committee Meetings held during the year 2009-10:

Name of Director	No. of Meetings attended
Shri R.V. Kanoria	2
Shri H. K. Khaitan	-
Shri B. D. Sureka	1
Shri T.D. Bahety	1

Nomination Committee

The Nomination Committee consists of three Directors to decide on the composition of the Board and make recommendations to the Board for filling up the Board vacancies that may arise from time to time.

This Committee is chaired by Shri R.V. Kanoria and includes Shri G. Parthasarathy and Shri Ravinder Nath as its members.

During the year, a Meeting of the Committee was held on 5th May 2009 which was attended by all the members.

Project Management Committee

The Project Management Committee consists of four Directors to monitor the progress of implementation of various expansion programmes of the Company.

This Committee is chaired by Shri R.V. Kanoria and includes Prof. S.L. Rao, Shri G. Parthasarathy and Shri T.D. Bahety as its members. There was no Meeting of the Committee during the year.

OTHER COMMITTEE

Risk Management Committee

The Risk Management Committee consists of Executives of the Company to identify and assess significant risks that might impact the achievement of the Company's objectives and to develop risk management strategies to minimise identified risks and to design appropriate risk management procedures. The Committee consists of Shri N.K. Nolkha - Chief Financial Officer, Shri N.K. Sethia - Company Secretary, Shri A. K. Mandal - President (Works), Renukoot Chemical Works Division, Shri Arun Agarwal - President (Works), Ankleshwar Chemical Works Division and Shri D. K. Jain - President (Marketing). During the year under review the Committee met on 29th October 2009 and 18th March 2010.

Details of Annual General Meetings

The last three Annual General Meetings of the Company were held as per details given below:

Year	Date	Time	Venue	No. of Special Resolution(s) passed
2008-2009	31 st July 2009	2.30 P.M.	Shripati Singhania Hall, Rotary Sadan,	2
2007-2008	24 th July 2008	2.30 P.M.	94/2 Chowringhee Road,	-
2006-2007	26 th July 2007	3.00 P.M.	Kolkata-700 020	2

During the year, one special resolution under Section 314(1B) of the Companies Act, 1956 for holding of office or place of profit in the Company by Shri S. V. Kanoria, a relative of Shri R. V. Kanoria, Managing Director of the Company, was passed through the postal ballot process.

The postal ballot process was undertaken in accordance with the provisions of Section 192A of the Companies Act, 1956, read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2001. Shri H. M. Choraria, a practicing Company Secretary was appointed as Scrutinizer for the said postal ballot process. The result of the postal ballot process was declared on 29th March 2010 and consequently the resolution was passed by requisite majority. The details of the postal voting pattern are given below:

Number of valid Postal Ballot Forms received	153
Percentage Votes in favour of the resolution	99.98
Percentage Votes against the resolution	0.02
Number of Invalid Ballot Forms received	18

At the ensuing Annual General Meeting, there is no resolution proposed to be passed by postal ballot.

Subsidiary Company

The Company has no material non-listed subsidiary company. The Audit Committee reviews the financial statements, particularly the investments made by the subsidiary company. The minutes of the Board Meetings of the subsidiary company are placed at the Board Meetings of the Company.

Disclosures

Related parties and transactions with them as required under Accounting Standard 18 (AS-18) are furnished under Note No. 20 of the Notes on Accounts attached with the financial statement for the year ended 31st March 2010. There are no pecuniary relationships or transactions with the non-executive independent Directors.

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

There has been no non-compliance, penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any other Statutory Authorities, on any matter related to capital markets during the last three years.

Means of Communication

The quarterly financial results as prescribed under the Listing Agreements and the audited annual results were approved and taken on record within the prescribed time limits. The approved results were thereafter sent to the Stock Exchanges and also published in the media normally in Economic Times (all Editions), Business Standard (all Editions) in English and Sambad Pratidin (Kolkata Edition) in Bengali within 48 hours of the Meeting.

As the Company publishes its half-yearly results in English newspapers having a circulation all over India and in a vernacular language (Bengali) having circulation in the State of West Bengal, the same are not sent individually to each shareholder of the Company.

The Company regularly issues official press releases to the print media. The Company also updates Analysts on the activities of the Company from time to time.

To familiarise our shareholders with the Company's operations, visits to its manufacturing plants are arranged in small batches. During the financial year 2009-10, shareholders were taken to the Chloro Chemical Works, Renukoot.

The Company has its own website www.kanoriachem.com where information about the Company is displayed and regularly updated. An e-mail ID investor@kanoriachem.com has been created and displayed on the Company's website for the purpose of interaction including registering complaints by the investors.

The Company also electronically files unaudited quarterly and audited annual financial results, segment results, shareholding pattern etc. on the EDIFAR website www.sebidifar.nic.in as required by SEBI and the Listing Agreements with the Stock Exchanges.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis is a part of the Annual Report.

CEO AND CFO CERTIFICATION

The Managing Director (de-facto Chief Executive Officer) and the Chief Financial Officer of the Company have certified to the Board regarding review of financial statement for the year, compliance with the accounting standards, maintenance of internal control for financial reporting and accounting policies.

CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

In compliance with the Securities & Exchange Board of India (Prevention of Insider Trading) Regulations, 1992, the Company has framed a Code of Conduct for prevention of insider trading by Company insiders. The Code, inter alia, prohibits purchase and/or sale of shares of the Company by the Directors and designated employees while in possession of unpublished price sensitive information in relation to the Company.

CODE OF CONDUCT

The Company has Codes of Conduct for its Directors and Employees. The Directors and Senior Management Personnel have affirmed their compliance with the Code of Conduct during the year.

The Code of Conduct is available on the Company's web site.

CORPORATE GOVERNANCE RATING

CRISIL has assigned "CRISIL GVC Level 3" rating to the Corporate Governance Practices of Kanoria Chemicals & Industries Limited which indicates that the Company's capability with regard to corporate governance and value creation for all its stakeholders is high.

COMPLIANCE CERTIFICATE OF THE AUDITORS

The Statutory Auditors' Certificate that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is annexed hereto.

MANDATORY/NON-MANDATORY PROVISIONS OF THE CODE

Your Company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement. Following is the status of the compliance with the non-mandatory requirements of the Clause 49 of the Listing agreement:

- i) The Company has constituted a Remuneration and Selection Committee to review and recommend remuneration of Managing and Wholetime Directors and also to perform the functions as prescribed under Section 314 (1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003. The Chairman of the Committee was present at the last Annual General Meeting of the Company held on 31st July 2009.
- ii) During the year under review, there is no audit qualification in the financial statements. The Company continues to adopt the best practices to ensure unqualified financial statements.

GENERAL SHAREHOLDERS' INFORMATION

1. Annual General Meeting
 - Date and time 29th July 2010 at 2.30 P.M.
 - Venue 'Shripati Singhanian Hall', Rotary Sadan, 94/2 Chowringhee Road, Kolkata 700 020
 2. Financial Calendar 2010-11
(tentative and subject to change)
 - Financial Results for:
 - the quarter ending 30th June 2010 July 2010
 - the quarter ending 30th September 2010 October 2010
 - the quarter ending 31st December 2010 January 2011
 - the year ending 31st March 2011 May 2011
 - Annual General Meeting for 2010-11 September 2011
 3. Date of Book Closure 15th July 2010 to 29th July 2010 (both days inclusive).
 4. Dividend Payment Date On or after 4th August 2010.
 5. Listing on Stock Exchanges: (Equity Shares)
 - National Stock Exchange of India Ltd.
 - 'Exchange Plaza', Bandra-Kurla Complex, Bandra (E)
 - Mumbai – 400 051
 - www.nseindia.com
 - Bombay Stock Exchange Ltd.
 - P. J. Towers
 - Dalal Street, Fort
 - Mumbai – 400 001
 - www.bseindia.com

Note: Listing fee for the year 2010-11 has been paid to the above Stock Exchanges.
- Foreign Currency Convertible Bonds (FCCB) Luxembourg Stock Exchange, Luxembourg



6. Stock Code :

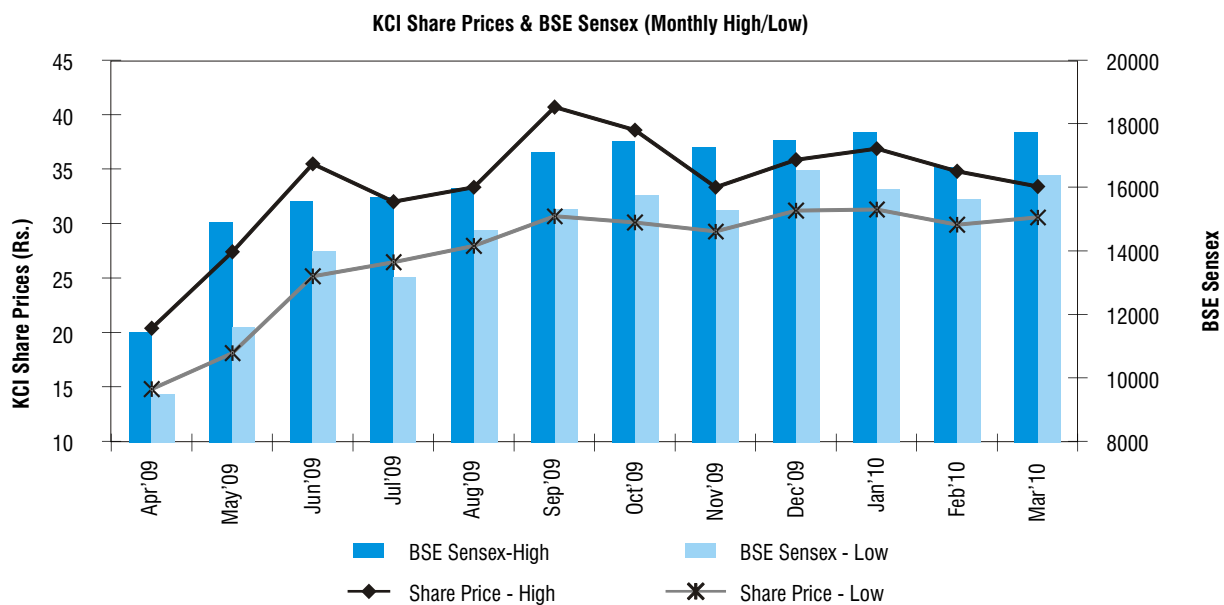
Bombay Stock Exchange Limited
National Stock Exchange of India Limited
Luxembourg Stock Exchange

50 6525
KANORICHEM
XS0255239971 (FCCB)

7. Stock Price Data (in Rs./per share):

Months	National Stock Exchange (NSE)*		Bombay Stock Exchange (BSE)*	
	High	Low	High	Low
April 2009	20.20	15.20	20.50	14.90
May 2009	27.65	18.05	27.50	18.20
June 2009	36.00	25.80	35.60	25.25
July 2009	35.45	26.35	32.10	26.55
August 2009	33.80	28.10	33.45	28.05
September 2009	40.80	31.00	40.80	30.80
October 2009	40.00	30.15	38.70	30.20
November 2009	33.30	29.30	33.45	29.40
December 2009	35.75	31.30	35.95	31.30
January 2010	37.00	31.35	37.00	31.40
February 2010	34.70	29.40	34.90	30.00
March 2010	33.55	30.00	33.50	30.70

* Source: Website of NSE and BSE



8. Registrar and Share Transfer Agents

CB Management Services (P) Limited
P-22, Bondel Road, Kolkata –700 019
Phone : (033) 22806692 (3 lines), 40116700
Fax : (033) 22870263
Email : rta@cbmsl.com

9. (a) Share Transfer System

The share transfers which are received in physical form are processed and the share certificates are returned within a period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects.

Details of the share transfers during the year 2009-10:

No. of valid share transfer applications received, processed and registered	10
No. of shares transferred	59,566
No. of share transfers in process as on 31.03.2010	Nil
No. of shares dematerialised	318,782
No. of shares rematerialized	16

During the year 2009-10, the Company attended to most of the investors' grievances and/or correspondence within a period of seven days from the date of the receipt of such grievances and/or correspondence.

As per Complaints Receipt Register maintained by the Company and/or Registrar, altogether 20 complaints were received during the period 1st April 2009 to 31st March 2010 and all were redressed as per details given below:

Nature	No. of Complaints	Redressed	Pending
1. Non-receipt of Dividend Warrant (s)	13	13	-
2. Non-receipt of Share Certificate(s)	-	-	-
3. Non-receipt of Annual Report (s)	7	7	-
4. Complaint through SEBI	-	-	-
5. Complaint through Stock Exchanges	-	-	-
Total	20	20	-

(b) Dematerialisation of Shares and liquidity

Depositories:

National Securities Depository Limited, Mumbai
Central Depository Services (India) Limited, Mumbai

The Equity Shares of the Company are compulsorily traded and settled through Stock Exchanges only in the dematerialised form.

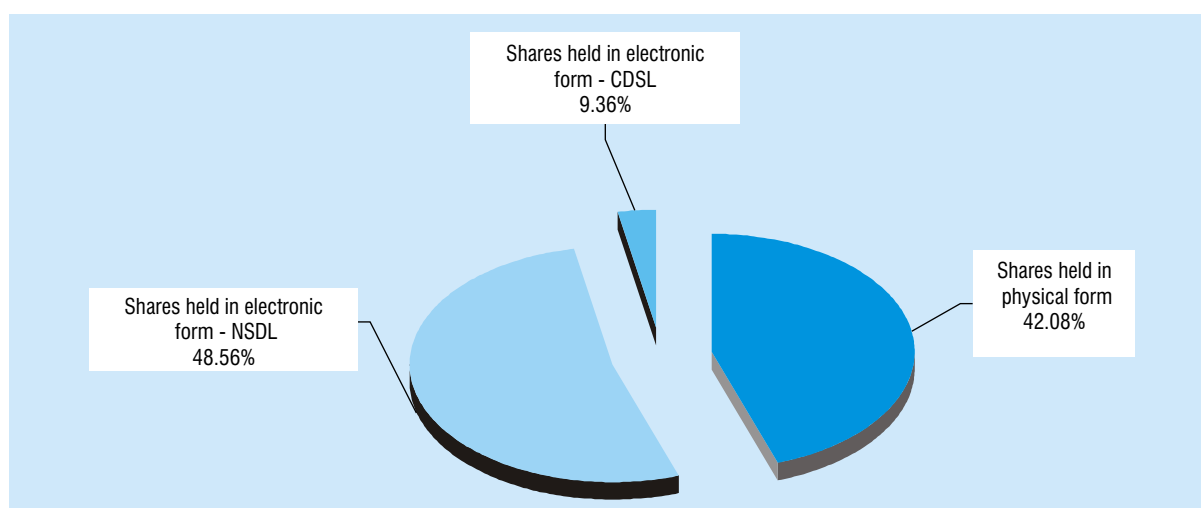
A total of 32,608,560 Equity Shares of the Company representing 57.92% of the Share Capital are dematerialised as on 31st March 2010.

Under the Depository System, International Securities Identification Number (ISIN) allotted to the Company's Equity Shares is INE 138C01024.

Shares held in the dematerialised form are electronically transferred by the Depository Participant and the Company is informed periodically by the Depositories about the beneficiary holdings to enable the Company to send corporate communication, dividend etc.

The requests received for dematerialisation are processed within a period of 10 days from the date of receipt of request provided they are in order in every respect.

The shareholders may kindly note that the Company has paid the custody charges for the financial year 2010-11 to both the Depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) with whom it has established connectivity.



(c) Electronic Clearing Service (ECS) for Dividend

Your Company provides the shareholders the option to receive dividend through the ECS facility. To avoid risk of loss and/or interception of dividend warrants in postal transit and/or fraudulent encashment, shareholders are requested to avail the ECS facility where dividends are directly credited in electronic form to their respective bank accounts.

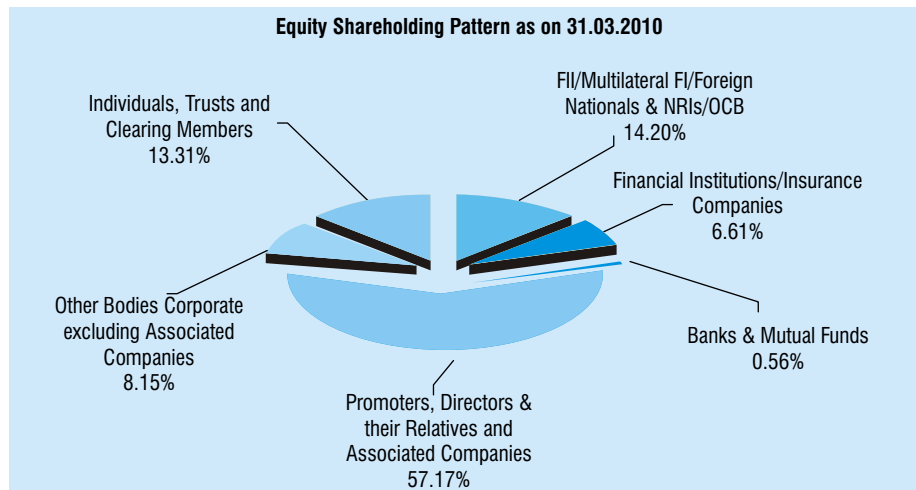
Shareholders located in places where ECS facility is not available may submit their bank details. This will enable the Company to incorporate this information in dividend warrants to minimise the risk of fraudulent encashment.

10. Distribution of Equity Shareholding as on 31st March 2010:

Nominal value of Shareholding	Number of Shareholders		Number of Equity Shares	
	Total	% of Shareholders	Total	% of Share Capital
Up to Rs. 5,000	8,678	85.73	2,291,482	4.07
Rs. 5,001 - Rs. 10,000	739	7.30	1,076,811	1.91
Rs. 10,001 - Rs. 20,000	372	3.67	1,047,837	1.86
Rs. 20,001 - Rs. 30,000	127	1.25	631,297	1.12
Rs. 30,001 - Rs. 40,000	31	0.31	211,077	0.38
Rs. 40,001 - Rs. 50,000	41	0.41	372,593	0.66
Rs. 50,001 - Rs. 1,00,000	66	0.65	948,885	1.69
Rs. 1,00,001 and above	69	0.68	49,716,518	88.31
Total	10,123	100.00	56,296,500	100.00

11. Equity Shareholding Pattern as on 31st March 2010:

Category	No. of Shares held	% of Shareholding
FII/Multilateral FI/Foreign Nationals & NRIs/OCB	7,995,586	14.20
Financial Institutions / Insurance Companies	3,720,730	6.61
Banks & Mutual Funds	317,925	0.56
Promoters, Directors & their Relatives and Associated Companies	32,182,762	57.17
Other Bodies Corporate excluding Associated Companies	4,588,022	8.15
Individuals, Trusts and Clearing Members	7,491,475	13.31
Total	56,296,500	100.00



12. Top Ten Shareholders of the Company as on 31st March 2010:

Sl. No.	Name of Shareholders	No. of shares	% of shareholding
1	Vardhan Limited	24,732,876	43.93
2	International Finance Corporation	6,102,000	10.84
3	Mega Resources Limited	3,423,153	6.08
4	R V Investment & Dealers Limited	3,210,120	5.70
5	Life Insurance Corporation of India	1,209,399	2.15
6	IFCI Limited	1,200,000	2.13
7	Kirtivardhan Finvest Services Limited	1,154,907	2.05
8	Ludlow Jute and Specialities Limited	1,000,203	1.78
9	Ricky Ishwardas Kirpalani	917,084	1.63
10	United India Insurance Co. Limited	781,693	1.39
	Total	43,731,435	77.68

13. Outstanding GDR/ADRs/Warrants or any convertible Instruments, conversion date and likely impact on equity.

FCCB of US\$ 20 million, issued by the Company are optionally convertible into Equity Shares of Rs.5 each fully paid up at the conversion price of Rs. 44.67 per share subject to the terms of its issue and price adjustment on the happening of certain events and price reset at the end of 3rd year of issue with a fixed rate of exchange of Rs. 46.19 equal to US\$ 1, at any time on or after 5th June 2006 and prior to close of business on 27th May 2011. Based on the current applicable conversion price, the Share Capital of the Company will increase by 20,682,090 Equity Shares of Rs. 5 each on conversion of these Bonds. Unless previously converted the Bonds are redeemable on 7th June 2011 at 144.715 percent of their principal amount. As at the end of the year, the entire FCCBs were outstanding.

14. Plant Locations

CHLORO CHEMICALS SEGMENT

Renukoot Chemical Works

P.O. Renukoot-231 217, Dist. Sonebhadra (Uttar Pradesh)

Power Generation Division

P.O. Renukoot- 231 217, Dist. Sonebhadra (Uttar Pradesh)

Salt Works

P.O. Samakhali-370 150, Gandhidham (Gujarat)

ALCO CHEMICALS SEGMENT

I - Alcochem Ankleshwar Division

Ankleshwar Chemical Works

3407, GIDC Industrial Estate,

P.O. Ankleshwar-393 002, Dist. Bharuch (Gujarat).

Bio-Compost Plant

Vill. Sengpur,

Taluka: Ankleshwar-393 002, Dist. Bharuch (Gujarat).

Windfarm

Vill. Dhank, Taluka: Upleta, Dist. Rajkot (Gujarat).

II - Alcochem Vizag Division

Plot No.32, Jawaharlal Nehru Pharma City,

Parwada, Vishakhapatnam - 531 021, Andhra Pradesh

15. Address for Correspondence

For Investors' matters

The Company Secretary

Kanoria Chemicals & Industries Limited

'Park Plaza', 71 Park Street, Kolkata-700 016.

Phone : (033) 2249-9472/73/74

Fax : (033) 2249-9466

Email : nksethia@kanoriachem.com

Website: <http://www.kanoriachem.com>

For queries relating to Financial Statements

The Chief Financial Officer

Kanoria Chemicals & Industries Limited

'Park Plaza', 71 Park Street, Kolkata-700 016.

Phone : (033) 2249-9472/73/74

Fax : (033) 2249-9466

Email : nolkha@kanoriachem.com

Website: <http://www.kanoriachem.com>

16. Deposit of unclaimed dividend amount to Investor Education and Protection Fund

During the year under review, the Company has deposited unclaimed dividend of Rs.112,082 for the year 2001-02 to the Investor Education and Protection Fund on 24th October 2009, pursuant to Section 205C of the Companies Act, 1956 and the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001.

Registered Office

'Park Plaza'

71, Park Street

Kolkata - 700 016

Dated, the 30th day of April, 2010

For and on behalf of the Board

R.V. Kanoria

Chairman & Managing Director



AUDITORS' CERTIFICATE

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE TO THE MEMBERS OF KANORIA CHEMICALS & INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by **KANORIA CHEMICALS & INDUSTRIES LIMITED** ("The Company") for the year ended on 31st March 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

For SINGHI & CO.
Chartered Accountants
Firm Registration No.302049E

Camp : New Delhi
1-B, Old Post Office Street, Kolkata
Dated, the 30th day of April 2010

Rajiv Singhi
(Partner)
Membership No. 53518

AUDITORS' REPORT

To the Members of **KANORIA CHEMICALS & INDUSTRIES LIMITED**

We have audited the attached Balance Sheet of **KANORIA CHEMICALS & INDUSTRIES LIMITED** as at 31st March 2010, the Profit & Loss Account for the year ended on that date and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

1. 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;
2. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
5. On the basis of the written representations received from the Directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and notes on account in Schedule "R" 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, 2010;
 - (b) In the case of the Profit and Loss Account, of the **PROFIT** for the year ended on that date; and
 - (c) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For SINGHI & CO.
Chartered Accountants
Firm Registration No.302049E

Camp : New Delhi
1-B, Old Post Office Street, Kolkata
Dated, the 30th day of April 2010

Rajiv Singhi
Partner
Membership No. 53518

ANNEXURE TO THE AUDITORS' REPORT

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

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) As per the information and explanations given to us, physical verification of fixed assets has been carried out in terms of the phased program of verification of its fixed assets adopted by the Company and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to size of the Company and nature of its business.
(c) There was no substantial disposal of fixed assets during the year.
- ii. (a) The inventories have been physically verified at reasonable intervals during the year by the management/Internal Auditors except materials lying with third parties, where confirmations are obtained.
(b) In our opinion, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company has maintained proper records of inventories. The discrepancies between the physical stocks and book stocks, which are not significant, have been properly dealt with in the books of account.
- iii. (a) As per the information furnished, the Company has not granted any loans secured or unsecured to Companies, firms or other parties covered in the Register maintained U/S 301 of the Companies Act, 1956. Hence Clauses 3(b), (c) and (d) of the order are also not applicable to the company.
(b) As per the information furnished, the Company has not taken any loans secured or unsecured from Companies, firms or other parties covered in the Register maintained U/S 301 of the Companies Act, 1956. Hence Clauses 3(f) and (g) of the order are also not applicable to the company.
- iv. 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 nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books of accounts and according to the information and explanations given to us, we have not come across nor have we been informed of any instances of major weaknesses in the aforesaid internal control system.
- v. (a) In our opinion and according to the information and explanation given to us, the transactions that need to be entered into register maintained under section 301 of the Companies Act, 1956 have been so entered.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees of five lacs in respect of any party during the year have been made at price, which are reasonable having regard to the prevailing market price at the relevant time.
- vi. The Company has not accepted any deposit during the year from the public within the meaning of the provisions of Section 58A and 58AA of the Companies Act, 1956 and rules made thereunder. According to information and explanations given to us Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Tribunal has passed no order on the company.
- vii. In our opinion, the Company has internal audit system commensurate with the size and nature of its business.
- viii. We have broadly reviewed the Books of Account maintained by the Company in respect of its product as prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained. However, we have not carried out a detailed examination of accounts and records.
- ix. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, 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, Wealth Tax, Service Tax, Custom Duty, Excise Duty and cess during the year with the appropriate authorities. According to the information and explanations given to us, no undisputed amount payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and cess and other statutory dues were outstanding as at 31st March, 2010 for a period of more than six months from the date they became payable.
(b) According to the record of the Company, the dues of Sales tax, Excise Duty, Service Tax, Custom duty and Income Tax, which have not been deposited on account of dispute and the forum where the disputes are pending are as under:

Nature of the Statute	Nature of Dues	Amount (Rs. in million)	Period	Forum where dispute is pending
Sales Tax Act	Sales Tax demand	0.96	2002-03, 2004-05	Trade Tax Tribunal
	Sales Tax Demand	8.39	2005-06	Commissioner (Appeal)
Central Excise Act	Excise Duty demand	0.62	1996-97 to 2000-01	High Court
	Excise Duty demand	1.97	1996-97, 1997-98 & 2006-07	Asst. Commissioner/ Commissioner (Appeals)
	Excise Duty demand	27.89	2000-01 to 2007-08	CESTAT
Service Tax Act	Service Tax Demand	13.86	2005-06 & 2006-07	CESTAT
Income Tax	Income Tax Demand	26.38	2007-08	C.I.T (A)
Custom	Custom duty demand	0.12	1999-2000	Asstt. Commissioner of Custom

- x. The Company has no accumulated losses as at 31st March 2010 and has not incurred cash losses in the current financial year ended on that date and in the immediately preceding financial year.
- xi. Based on our audit procedures and as per the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institution or bank. There were no outstanding debentures during the year.
- xii. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The Company is not a chit fund/nidhi/mutual benefit fund/society to which the provision of the special statutes as specified in paragraph 4(xiii) of the order are applicable.
- xiv. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments and accordingly this clause is not applicable.
- xv. The company has given the corporate guarantee amounting to Rs.11.63 million to Gujarat Industrial Development Corporation for securing loan by Bharuch Eco- Aqua Infrastructure Ltd. The terms and conditions of which, prima facie, are not prejudicial to the interest of the company.
- xvi. According to the information and explanations given to us, the Company has applied term loans for the purpose for which they were obtained during the year.
- xvii. On the basis of our examination of the Cash Flow Statement, records and information and explanations given to us, the fund raised on Short Term basis, during the year, have not been used for Long Term investments. Long Term investments during the year have been financed through Long Term Borrowings and internal accrual of the Company.
- xviii. The company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under section 301 of the Act.
- xix. The company did not have any outstanding debenture during the year and accordingly paragraph 4(xix) of the order is not applicable.
- xx. The Company has not raised any money by public issues during the year and accordingly paragraph 4(xx) of the order is not applicable.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For SINGHI & CO.
Chartered Accountants
Firm Registration No.302049E

Camp : New Delhi
1-B, Old Post Office Street, Kolkata
Dated, the 30th day of April 2010

Rajiv Singhi
Partner
Membership No. 53518



BALANCE SHEET

AS AT 31ST MARCH 2010

(Rs. in million)

	Schedule	31.3.2010	31.3.2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	281.50	281.50
Reserves & Surplus	B	2,169.51	2,039.75
		<u>2,451.01</u>	<u>2,321.25</u>
Loan Funds			
Secured Loans	C	1,977.39	2,371.22
Unsecured Loans	D	1,175.97	1,101.39
		<u>3,153.36</u>	<u>3,472.61</u>
Deferred Tax (Net)	E	564.86	546.48
Total		<u>6,169.23</u>	<u>6,340.34</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	F	8,513.81	8,294.07
Less: Depreciation		3,282.87	2,918.55
: Impairment		17.85	17.85
Net Block		<u>5,213.09</u>	<u>5,357.67</u>
Capital Work-in-Progress		537.85	515.01
		<u>5,750.94</u>	<u>5,872.68</u>
Investments	G	69.16	56.82
Current Assets, Loans & Advances			
Inventories	H	586.17	498.23
Sundry Debtors		511.20	543.25
Cash & Bank Balances		24.02	48.72
Loans & Advances		238.80	285.30
		<u>1,360.19</u>	<u>1,375.50</u>
Less:			
Current Liabilities & Provisions			
Liabilities	I	512.26	529.31
Provisions		498.80	435.35
		<u>1,011.06</u>	<u>964.66</u>
Net Current Assets		<u>349.13</u>	<u>410.84</u>
Total		<u>6,169.23</u>	<u>6,340.34</u>
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS	R		

As per our report annexed
For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518

Camp: New Delhi
Dated the 30th day of April, 2010

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 2010

(Rs. in million)

	Schedule	2009-2010	2008-2009
INCOME			
Net Sales	J	4,211.81	4,917.97
Other Income	K	125.15	85.43
Increase/(Decrease) in Stocks	L	(68.82)	60.40
		<u>4,268.14</u>	<u>5,063.80</u>
EXPENDITURE			
Raw Materials Consumed	M	1,687.88	2,091.67
Finished Goods Purchases		9.31	6.08
Manufacturing Expenses	N	1,062.20	1,127.17
Employees Cost	O	332.47	316.00
Selling, Administrative & Other Expenses	P	299.58	373.29
		<u>3,391.44</u>	<u>3,914.21</u>
Profit before Interest, Depreciation & Tax		876.70	1,149.59
Interest & Finance Charges	Q	232.35	294.40
Profit before Depreciation & Tax		<u>644.35</u>	<u>855.19</u>
Depreciation & Amortisation		399.56	382.97
Profit before Exceptional items & Tax		<u>244.79</u>	<u>472.22</u>
Exceptional items (Refer Note No.B.15 Schedule-'R')		143.15	(243.43)
Profit before Tax		<u>387.94</u>	<u>228.79</u>
Add: Taxation for earlier years		0.71	0.80
Less: Provision for Taxation - Current		62.28	25.96
- Fringe Benefits		-	2.83
- Deferred		46.62	54.79
Net Profit		<u>279.75</u>	<u>146.01</u>
Balance as per last Account		231.87	204.42
		<u>511.62</u>	<u>350.43</u>
APPROPRIATIONS			
Proposed Dividend on Equity Shares		84.44	84.44
Provision for Dividend Tax		8.77	14.12
Transfer to General Reserve		150.00	20.00
Balance carried to Balance Sheet		268.41	231.87
		<u>511.62</u>	<u>350.43</u>
EARNINGS PER SHARE (Face Value Rs. 5 each)			
(Refer Note No.B.13 Schedule-'R')			
- BASIC (Rs.)		4.97	2.59
- DILUTED (Rs.)		3.63	1.90
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS			
	R		

As per our report annexed
For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518

Camp: New Delhi
Dated the 30th day of April, 2010

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2010

(Rs. in million)

	2009-2010	2008-2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Income Tax & Exceptional items	244.79	472.22
Adjustments for:		
Depreciation & Amortisation	399.56	382.97
Interest Charged	232.35	294.40
(Profit)/Loss on Sale of Fixed Assets (Net)	(17.16)	19.92
Interest Income	(3.00)	(5.08)
Dividend Income	(31.70)	(1.48)
Operating Profit before Working Capital changes	824.84	1,162.95
Adjustments for:		
Trade and Other receivables	67.38	26.23
Inventories	(87.94)	(40.71)
Trade Payables	51.86	54.31
Cash generated from Operations	856.14	1,202.78
Income Tax & FBT (Paid)/Received	(51.22)	(31.70)
NET CASH FROM OPERATING ACTIVITIES	804.92	1,171.08
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(247.93)	(373.64)
Sale of Fixed Assets	40.11	27.49
Purchase of Investments	(12.34)	-
Interest received	3.83	4.46
Dividend received	31.70	1.48
NET CASH USED IN INVESTING ACTIVITIES	(184.63)	(340.21)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings (net of repayments)	(319.25)	(61.99)
Foreign Exchange Fluctuation on FCCBs related transactions	143.15	(243.43)
Premium on Redemption of FCCBs	(85.03)	(88.92)
Dividend Paid (including Dividend Tax)	(98.56)	(98.79)
Interest Paid	(285.55)	(342.27)
NET CASH USED IN FINANCING ACTIVITIES	(645.24)	(835.40)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(24.95)	(4.53)
CASH AND CASH EQUIVALENTS - AS AT 01.04.2009	46.99	51.52
CASH AND CASH EQUIVALENTS - AS AT 31.03.2010	22.04	46.99

Notes:

- a. Cash and Cash equivalents included in the Cash Flow Statement comprise the following Balance Sheet amounts:

Cash and Bank Balances	24.02	48.72
Less: Unpaid Dividend	1.98	1.73
Cash and Cash equivalents	22.04	46.99
- b. Above statement has been prepared under indirect method except in case of interest, dividend and taxes which have been considered on the basis of actual movement of cash, with corresponding adjustments in assets & liabilities.
- c. Additions to Fixed Assets are stated inclusive of movements of capital work in progress in between beginning and end of the year and treated as part of Investing Activities.

For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518
Camp: New Delhi
Dated the 30th day of April, 2010

For and on behalf of the Board

AMITAV KOTHARI Director	R. V. KANORIA Managing Director
N. K. NOLKHA Chief Financial Officer	N. K. SETHIA Company Secretary

SCHEDULES TO THE BALANCE SHEET

(Rs. in million)

31.3.2010

31.3.2009

SCHEDULE 'A'

SHARE CAPITAL

AUTHORISED		
100,000,000 Equity Shares of Rs. 5 each	500.00	500.00
ISSUED		
56,296,500 Equity Shares of Rs. 5 each	281.48	281.48
SUBSCRIBED, CALLED AND PAID UP		
56,296,500 Equity Shares of Rs. 5 each fully paid-up	281.48	281.48
Add: Forfeited Shares (Amount paid up)	0.02	0.02
	<u>281.50</u>	<u>281.50</u>

Note: Of the above, following were allotted:

- a) as fully paid Bonus Shares-
 - 6,271,600 by capitalisation of General Reserve
 - 18,765,500 by capitalisation of Capital Redemption Reserve
- b) as fully paid Shares-
 - 6,200 allotted pursuant to scheme of amalgamation

SCHEDULE 'B'

RESERVES & SURPLUS

CAPITAL RESERVE		
As per last Balance Sheet	34.17	34.17
CAPITAL REDEMPTION RESERVE		
As per last Balance Sheet	9.67	9.67
SECURITIES PREMIUM ACCOUNT		
As per last Balance Sheet	752.20	810.90
Less: Premium on redemption of FCCBs (net of Deferred Tax)	56.78	58.70
	<u>695.42</u>	<u>752.20</u>
GENERAL RESERVE		
As per last Balance Sheet	1,011.84	991.84
Add: Transfer from Profit & Loss Account	150.00	20.00
	<u>1,161.84</u>	<u>1,011.84</u>
PROFIT & LOSS ACCOUNT		
As per annexed Account	268.41	231.87
	<u>2,169.51</u>	<u>2,039.75</u>

SCHEDULES TO THE BALANCE SHEET

(Rs. in million)

31.3.2010

31.3.2009

SCHEDULE 'C' SECURED LOANS

Term Loans		
From Banks	1,050.48	1,492.14
From Others	625.00	650.00
Vehicle Financing		
From Banks (against hypothecation of related vehicles)	10.06	11.27
Working Capital Loans		
From Banks	291.85	217.81
	<u>1,977.39</u>	<u>2,371.22</u>

- i) Term Loans aggregating Rs.1,675.48 million are secured by first charge and mortgage by deposit of title deeds of immovable properties and hypothecation of movable fixed assets situated at Renukoot, Dist. Sonbhadra (Uttar Pradesh), both present and future, ranking pari passu with the mortgages and charges created in favour of other term lenders.
- ii) Working Capital Loans aggregating Rs.174.32 million are secured against division wise hypothecation of Stocks, Book Debts, Stores & second charge on all other assets and Rs.117.53 million are secured against hypothecation by way of a subservient charge on all current assets and movable fixed assets of Renukoot Unit.
- iii) Instalments payable within one year Rs. 405.59 million.

SCHEDULE 'D' UNSECURED LOANS

Long Term		
Foreign Currency Convertible Bond (Refer Note No.B.14 Schedule-'R')	902.80	1,019.00
Short Term		
From Banks	273.17	82.39
	<u>1,175.97</u>	<u>1,101.39</u>

SCHEDULE 'E' DEFERRED TAX (NET)

DEFERRED TAX LIABILITY		
Depreciation	664.87	618.97
DEFERRED TAX ASSETS		
Retirement Benefits	36.71	33.89
Premium on Redemption of FCCBs	54.41	30.23
Others	8.89	8.37
	<u>100.01</u>	<u>72.49</u>
	<u>564.86</u>	<u>546.48</u>

SCHEDULES TO THE BALANCE SHEET

SCHEDULE 'F' FIXED ASSETS

(Rs. in million)

PARTICULARS	GROSS BLOCK				DEPRECIATION				IMPAIRMENT				NET BLOCK	
	As at 31.3.09	Additions	Sales and/or adjustment	As at 31.3.10	As at 31.3.09	For the Year	Sales and/or adjustment	Up to 31.3.10	As at 31.3.09	For the Year	Sales and/or adjustment	Up to 31.3.10	As at 31.3.10	As at 31.3.09
TANGIBLE ASSETS														
Land & Site Development	205.04	0.08	-	205.12	-	-	-	-	-	-	-	-	205.12	205.04
Leasehold land & Site Development	19.78	-	-	19.78	4.22	0.21	-	4.43	-	-	-	-	15.35	15.56
Buildings	1,057.92	67.95	-	1,125.87	219.97	28.36	-	248.33	-	-	-	-	877.54	837.95
Plant & Machinery	6,728.95	176.61	38.89	6,866.67	2,577.42	350.66	33.36	2,894.72	17.85	-	-	17.85	3,954.10	4,133.68
Railway Siding & Weigh Bridge	62.97	-	-	62.97	9.63	2.98	-	12.61	-	-	-	-	50.36	53.34
Vehicles and Fork Lifts	91.74	5.93	2.33	95.34	31.81	8.86	1.33	39.34	-	-	-	-	56.00	59.93
Furniture & Fixture, Office & Laboratory Equipments etc.	124.76	6.60	0.67	130.69	74.84	7.26	0.55	81.55	-	-	-	-	49.14	49.92
INTANGIBLE ASSETS														
Computer Software	2.91	4.46	-	7.37	0.66	1.23	-	1.89	-	-	-	-	5.48	2.25
	8,294.07	261.63	41.89	8,513.81	2,918.55	399.56	35.24	3,282.87	17.85	-	-	17.85	5,213.09	5,357.67
Capital Work-in-Progress													537.85	515.01
TOTAL													5,750.94	5,872.68
Figures for the corresponding Previous year	7,983.21	389.13	78.27	8,294.07	2,566.43	382.97	30.85	2,918.55	17.85	-	-	17.85	5,872.68	

NOTES:

1. Land & Site Development includes forest products on Land and Plantation Rs. 7.75 million.
2. Capital Work-in-Progress includes project advances Rs. 28.98 million (Previous year Rs. 4.77 million).
3. Fixed Assets of the Company, excluding some minor items, were revalued by approved valuer on Net Current Replacement Basis on 31st March, 1992 and thereby the value of Fixed Assets increased with corresponding credit to Revaluation Reserve. Net Block as on 31st March, 2010 includes Revalued amount of Rs. 122.24 million.



SCHEDULES TO THE BALANCE SHEET

(Rs. in million)

31.3.2010

31.3.2009

SCHEDULE 'G' INVESTMENTS

OTHER THAN TRADE (AT COST) LONG TERM	Face Value per Share / Debenture Rs.		
No. of Shares / Debentures			
GOVERNMENT SECURITIES (UNQUOTED)			
National Savings Certificates (Deposited with Government Authorities)		0.03	0.03
FULLY PAID UP EQUITY SHARES (QUOTED)			
200 IFCI Ltd.	10	0.01	0.01
500 HDFC Bank Ltd.	10	0.01	0.01
9,000 Bank Of India (UNQUOTED)	10	0.40	0.40
1 Rishi (Gandhidham) Owner's Association (Rs. 100)	100		
10,000 Enviro Technology Ltd.	10	0.10	0.10
1,400 Bharuch Enviro Infrastructure Ltd.	10	0.01	0.01
5 Mittal Tower Premises Co-op. Society Ltd. (Rs. 250)	50		
822,542 Bharuch Eco Aqua Infrastructure Ltd.	10	8.23	8.23
100 KCI Alco Chem Limited (Rs.500)	5		
IN JOINT VENTURE COMPANY			
1,234,226 Minerva Flavours and Fragrance Private Limited	10	12.34	-
IN SUBSIDIARY COMPANY (Jointly held with Nominees)			
4,650,550 Pipri Ltd.	10	48.01	48.01
FULLY PAID UP DEBENTURES (UNQUOTED)			
Woodlands Hospital and Medical Research Center Ltd.			
78 1/2% Registered Mortgaged Debentures	100	0.01	0.01
1 5% Non-Redeemable Mortgaged Debentures	14000	0.01	0.01
		<u>69.16</u>	<u>56.82</u>

	31.3.2010		31.3.2009	
	Book Value	Market Value	Book Value	Market Value
Aggregate amount of:-				
Quoted Investments	0.42	4.04	0.42	2.46
Unquoted Investments	68.74	-	56.40	-
	<u>69.16</u>		<u>56.82</u>	

SCHEDULES TO THE BALANCE SHEET

(Rs. in million)

31.3.2010

31.3.2009

SCHEDULE 'H'

CURRENT ASSETS, LOANS & ADVANCES

INVENTORIES

(as certified by the Management)

Stores and Spare Parts etc.(including Machinery Spares of

irregular use Rs. 0.43 million)(Previous Year Rs. 0.52 million)

Coal and Fuel at Power Plant

Raw Materials

Finished Goods

Work-in-Process

Power banked with UPPCL

137.21

96.28

181.45

133.26

37.97

-

586.17

131.05

5.65

120.54

194.11

35.61

11.27

498.23

SUNDRY DEBTORS

Debts outstanding for a period exceeding six months

Considered Good

Secured

Unsecured

Considered Doubtful

Less: Provision

Under Litigation

Less: Provision

0.41

21.16

18.28

18.28

6.75

6.75

0.55

29.99

17.16

17.16

6.65

6.65

Other Debts

Considered Good

Secured

Unsecured

0.94

488.69

511.20

2.09

510.62

543.25

CASH AND BANK BALANCES

Cash Balance (as certified)

Drafts/T.T in transit/Cheques in hand

Balances with Scheduled Banks

In Current Account

In Current Account (Foreign Currency)

In No lien Account

In Unpaid Dividend Account

In Fixed Deposit Account (Receipts deposited as security)

0.79

4.76

13.21

0.69

-

1.98

2.59

24.02

0.81

5.33

36.00

0.78

0.10

1.73

3.97

48.72

LOANS & ADVANCES

Advances (Recoverable in cash or in kind or for value to be received and/or pending adjustments)

(Unsecured, Considered Good)

For purchase of Goods (including Capital items Rs. 8.15 million)

(Previous Year Rs. 2.49 million)

Considered Doubtful

Less: Provision

Under Litigation

Less: Provision

Other Advances

Considered Doubtful

Less: Provision

Under Litigation

Less: Provision

52.54

0.14

0.14

0.92

0.92

38.34

0.05

0.05

0.60

0.60

64.13

0.16

0.16

-

-

38.06

0.05

0.05

0.60

0.60

To Staff

Interest and Dividend Receivable

Balance with Central Excise and other Government Authorities

Income, Wealth & Fringe Benefits Tax Payments and

Tax Deducted at Source less Provision

Export Benefits and Claims Receivable

Deposits(Unsecured, Considered Good)

4.34

0.63

50.71

45.33

15.73

31.18

238.80

1,360.19

3.09

1.46

71.80

55.68

16.25

34.83

285.30

1,375.50

SCHEDULES TO THE BALANCE SHEET

(Rs. in million)

31.3.2010

31.3.2009

SCHEDULE 'I'

CURRENT LIABILITIES & PROVISIONS

CURRENT LIABILITIES

Sundry Creditors		
Micro, Small & Medium Enterprises	-	-
Others	437.04	462.43
Customers' Credit Balances	52.58	44.72
Security and Trade Deposits	16.61	16.02
Investor Education & Protection Fund shall be credited by:		
Unclaimed Dividend	1.98	1.73
Interest accrued but not due	4.05	4.41
	<u>512.26</u>	<u>529.31</u>

PROVISIONS

For Gratuity	93.88	85.14
For Accrued Leave	16.64	14.58
For Premium on Redemption of FCCBs	295.07	237.07
For Proposed Dividend	84.44	84.44
For Dividend Tax	8.77	14.12
	<u>498.80</u>	<u>435.35</u>

SCHEDULES TO THE PROFIT & LOSS ACCOUNT

2009-2010

2008-2009

SCHEDULE 'J'

NET SALES

Gross Sales	5,383.61	6,607.10
Less: Inter Unit Transfer	859.71	1,133.33
Excise Duty	312.09	555.80
	<u>4,211.81</u>	<u>4,917.97</u>

SCHEDULE 'K'

OTHER INCOME

Rent	1.85	1.21
Income from Long term Investments (Gross)		
Dividend	31.70	1.48
Interest (Gross) (Tax deducted at source Rs. 0.05 million) (Previous Year Rs.0.22 million)		
On Fixed Deposits with Banks	0.24	0.25
From Others	2.76	4.83
	3.00	5.08
Miscellaneous Receipts and Others (Refer Note No.B.5 Schedule-'R')	71.44	77.66
Profit on Fixed Assets sold/discarded (Net)	17.16	-
	<u>125.15</u>	<u>85.43</u>

SCHEDULES TO THE PROFIT & LOSS ACCOUNT

(Rs. in million)

	2009-2010	2008-2009
SCHEDULE 'L'		
INCREASE/(DECREASE) IN STOCKS		
Closing stock		
Finished Goods	133.26	194.11
Work-in-Process	37.97	35.61
Power banked with UPPCL	-	11.27
	<u>171.23</u>	<u>240.99</u>
Deduct:		
Opening Stock		
Finished Goods	194.11	143.05
Work-in-Process	35.61	38.22
Power banked with UPPCL	11.27	5.17
	<u>240.99</u>	<u>186.44</u>
	(69.76)	54.55
Increase/(Decrease) in Excise Duty on Stocks	<u>0.94</u>	<u>5.85</u>
	<u>(68.82)</u>	<u>60.40</u>
 SCHEDULE 'M'		
RAW MATERIALS CONSUMED		
Opening Stock	120.54	136.05
Add : Purchases	<u>1,748.79</u>	<u>2,076.16</u>
	1,869.33	2,212.21
Less: Closing Stock	<u>181.45</u>	<u>120.54</u>
	<u>1,687.88</u>	<u>2,091.67</u>
 SCHEDULE 'N'		
MANUFACTURING EXPENSES		
Consumption of Stores & Spare parts etc.	133.39	168.12
Other Manufacturing Expenses	8.11	33.35
Power & Fuel	781.24	749.00
Repairs to:		
Plant & Machinery	97.48	127.90
Buildings	21.40	25.24
Others	8.75	9.54
Water Charges & Cess	<u>11.83</u>	<u>14.02</u>
	<u>1,062.20</u>	<u>1,127.17</u>
 SCHEDULE 'O'		
EMPLOYEES COST		
Salaries, Wages, Bonus & Gratuity etc. (including payments to Contractors)	289.24	273.27
Contribution to Provident Fund	19.06	17.97
Welfare Expenses	<u>24.17</u>	<u>24.76</u>
	<u>332.47</u>	<u>316.00</u>

SCHEDULES TO THE PROFIT & LOSS ACCOUNT

(Rs. in million)

	2009-2010	2008-2009
SCHEDULE 'P'		
SELLING, ADMINISTRATIVE & OTHER EXPENSES		
Rates & Taxes (including Provision for wealth tax Rs. 0.14 million) (Previous Year Rs.0.14 million)	5.06	4.05
Rent	14.85	7.61
Insurance	11.97	8.58
Legal and Professional Charges	17.41	20.99
Miscellaneous Expenses	63.57	65.04
Foreign Exchange Rate Fluctuation	-	25.08
Loss on Commodity Future Trade	-	2.83
Commission & Brokerage to Others	24.97	32.29
Freight, Handling & Other Charges	107.77	139.56
Directors' Fees	0.72	0.54
Travelling Expenses (including Directors' Travelling Rs. 3.32 million) (Previous Year Rs. 4.37 million)	17.11	20.85
Charity & Donations	0.12	0.32
Sales/Turnover Tax (net)	0.00	-
Payment to Auditors (Refer Note No.B.6 Schedule-'R')	1.84	1.77
Directors' Remuneration (Refer Note No.B.7 Schedule-'R')	27.40	21.18
Provision for bad & doubtful Debts & Advances (net)	2.11	0.44
Unrealised Debts and Claims written off	3.11	0.81
Loss on Fixed Assets sold/discarded (Net)	-	19.92
Previous Years Adjustments (Net)	1.57	1.43
	<u>299.58</u>	<u>373.29</u>

SCHEDULE 'Q'

INTEREST & FINANCE CHARGES

On Fixed Loans	227.52	233.05
To Banks and Others	30.52	89.80
Finance/Bank Charges	27.15	21.98
	<u>285.19</u>	<u>344.83</u>
Less: Capitalised	52.84	50.43
	<u>232.35</u>	<u>294.40</u>

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R'

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention:

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India, applicable Accounting Standards as prescribed by Companies (Accounting Standards) Rule, 2006 issued by Ministry of Corporate Affairs and the provisions of the Companies Act, 1956, except for certain fixed assets which have been revalued.

All items of income and expenditure have been recognised on accrual basis. The accounting policies applied by the Company are consistent with those used in the previous years.

2. Use of Estimates:

The preparation of financial statements require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

3. Revenue Recognition:

Sales revenue is recognised on transfer of significant risk and rewards of the ownership of the goods to the buyer and stated at net of trade discounts and rebates. Other income is recognised on accrual basis. Dividend income on investments is accounted for when the right to receive the payment is established.

4. Fixed Assets:

(i) Fixed Assets, including modernisation expenses incurred are stated at cost of acquisition, construction and improvement made, which is inclusive of freight, duties, taxes, incidental expenses, interest & fund raising cost and other pre-operative expenses apportioned and also includes revaluation amount.

(ii) Capital Work-in-Progress is stated at cost including project advances, interest and related expenses incurred during construction or pre-operative period.

(iii) Intangible Assets are stated at cost of acquisition less accumulated amortization.

5. Depreciation/Amortisation:

(i) Depreciation has been calculated on Straight Line Method (SLM) on the assets acquired/installed upto 30th June, 1986 at the rates prevailing at the time of acquisition or installation of the said assets. On the assets acquired thereafter upto 31st March, 1993 the specified period was recomputed according to the revised rates of depreciation as prescribed in Schedule XIV to the Companies Act, 1956 and the amount of depreciation on these assets has been calculated by allocating unamortised value over the remaining part of the recomputed specified period. Depreciation on subsequent additions has been calculated at SLM as per the rates prescribed in Schedule XIV to the Companies Act, 1956.

(ii) Lease hold land is being amortised over the period and/or remaining period of the lease.

(iii) Depreciation on revalued amount of Fixed Assets has been calculated on pro-rata basis to their residual life and charged to Profit & Loss Account in absence of Revaluation Reserve.

(iv) Intangible Assets consisting of Computer Software are amortised over a period of three years using Straight Line Method.

6. Foreign Currency Transaction :

(i) Year end balance of foreign currency transactions is translated at the year end rates and the corresponding effect is given in the accounts excepting those transactions covered by the fixed forward contract for conversion of foreign currency loan in rupee loan which are stated at contracted amount. Transactions completed during the year are adjusted on actual basis.

(ii) In respect of transactions covered under forward foreign exchange contracts, the difference between the forward rate and exchange rate at the inception of contract is recognised as income or expense over the life of the contract.

(iii) Effects arising of interest swap contracts are being adjusted on the date of settlement. Year end liabilities/assets are recognised at the relevant rate prevailing on that date.

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R'

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS (Contd.)

7. Inventories:

Inventories are valued as under:-

Stores & Spare Parts etc. #	At Cost or net realisable value whichever is lower
Raw Materials #	At Cost or net realisable value whichever is lower
Coal & Fuel at Power Plant #	At Cost or net realisable value whichever is lower
Machinery Spares of Irregular Use *	At Written Down Value
Finished Goods	At Cost or net realisable value, whichever is lower and in case of products, where cost cannot be ascertained, at net realisable value.
Work-in-Process	At Raw Material Cost and/or at cost or net realisable value, whichever is lower
Power Banked	At Cost

* Written off over the remaining useful life of the respective machinery.

The Cost at Chloro Chemicals has been arrived at using FIFO method and at Alco Chemicals using Weighted Average method.

8. Investments:

Long term Investments are stated at cost less provision, if any, for diminution, which is considered as permanent in nature.

9. Employee Benefits:

Employee benefits of short-term nature are recognised as expenses as and when it accrues. Long-term employee benefits (e.g. long- service leave) and post employment benefits (e.g. gratuity), both unfunded, are recognised on expenses based on actuarial valuation at year end using projected unit credit method. Actuarial gain and losses are recognised immediately in the profit and loss account.

10. Taxation:

(i) Provision for current Income Tax is made in accordance with the Income Tax Act, 1961. Deferred Tax is measured in accordance with Accounting Standard 22- 'Accounting for Taxes on Income', as specified in the Companies (Accounting Standard) Rule, 2006 issued by Ministry of Corporate Affairs. The deferred tax charge or credit is recognised, subject to consideration of prudence, using substantively enacted tax rates, for timing differences between book and tax profits that originate in one period and are capable of reversal in one or more subsequent periods.

(ii) Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period. In the year in which minimum alternative tax credit becomes eligible to be recognised as an asset in accordance with the recommendation contained in guidance note issued by The Institute of Chartered Accountants of India, the said asset is created by way of credit to Profit & Loss Account. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.

11. Borrowing Cost:

Interest and other costs in connection with the borrowing of the funds to the extent related/attribution to the acquisition/construction of qualifying fixed assets are capitalised upto the date when such assets are ready for its intended use and other borrowing costs are charged to Profit & Loss Account.

Premium on redemption of Bonds/Debentures to the extent they are related/attribution to acquisition/ construction of qualifying fixed assets are capitalized upto the date when such assets are ready for its intended use. Thereafter, Premium on redemption of Bonds/Debentures, net of tax impact, are adjusted against Securities Premium Account.

12. Impairment:

Impairment loss is recognised wherever the carrying amount of an assets is in excess of its recoverable amount and the same is recognised as an expense in the statement of Profit and Loss and carrying amount of the assets is reduced to its recoverable amount. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the assets no longer exist or have decreased.

13. Commodity hedging contracts:

The realized gain or loss in respect of commodity hedging contracts, the pricing period of which has expired during the year are recognized in Profit and Loss Account. However, in respect of contracts, the pricing period of which extends beyond the Balance Sheet date, provisions for net loss on mark to market basis is made.

14. Contingent Liabilities:

Contingent Liabilities are not provided for and are separately disclosed by way of a note in this Schedule.

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

B. NOTES ON ACCOUNTS

(Rs. in million)

	2009-2010	2008-2009
1. Contingent Liabilities not provided for in respect of:		
(a) Outstanding Bank Guarantees	78.16	69.34
(b) Claims/Disputed liabilities not acknowledged as debt		
<u>Nature of Contingent Liability</u>	<u>Status Indicating Uncertainties</u>	
Demand notice issued by Central Excise Department	1.20	1.90
Demand notices issued by Central Excise Department	1.05	1.05
Demand notices issued by Central Excise Department	0.77	1.78
Demand notices issued by Central Excise Department	42.27	20.00
Demand notice issued by Custom Department	0.43	0.43
Entry tax demand issued by assessing authority	16.02	13.49
Sales tax demands issued by assessing authority	8.39	-
Sales tax/VAT demands issued by assessing authority	1.56	1.68
Income tax demands issued by DCIT	29.38	1.42
2. Corporate Guarantee given to Gujarat Industrial Development Corporation for securing loan by Bharuch Eco -Aqua Infrastructure Limited.	11.63	11.63
3. Estimated amount of contracts remaining to be executed on capital account and not provided for	409.25	48.24
Advances paid	37.13	7.26
4. Addition to Fixed Assets & Capital Work-in-Progress includes borrowing cost, pre-operative and trial-run expenses for the year:		
Raw Material consumed	-	5.68
Power & Fuel	0.37	0.20
Maintenance Charges	1.25	1.24
Salaries, Wages, Bonus & Gratuity etc.	3.62	1.04
Contribution to Provident Fund	0.24	0.08
Staff & Workers welfare expenses	0.38	0.04
Rates & Taxes	3.15	-
Rent	0.17	0.05
Insurance premium	0.21	0.05
Legal & Professional Charges	5.44	0.70
Miscellaneous expenses	1.42	0.24
Travelling expenses	4.28	1.81
Interest & Fund raising cost (net)	52.84	50.43
	73.37	61.56
Less: Revenue from trial-run Production	-	5.97
	73.37	55.59
5. Miscellaneous receipts and others consist of:		
Miscellaneous Sales	17.44	31.34
Insurance and other claims	3.79	18.26
Export benefits	16.33	20.09
Other receipts	1.66	2.07
Foreign exchange rate fluctuation	15.41	-
Income from Commodity future Trade	4.67	-
Liabilities no longer required written back	12.14	5.90
	71.44	77.66

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

(Rs. in million)

	2009-2010	2008-2009
6. Auditors' Remuneration:		
(a) Statutory Auditors		
Audit Fees	0.75	0.75
For Certificates & Others	0.62	0.61
For Travelling and out of pocket expenses	0.25	0.20
(b) Cost Auditors		
Audit Fees	0.08	0.09
For Travelling and out of pocket expenses	0.01	0.01
(c) Tax Auditors		
Audit Fees	0.13	0.11
	<u>1.84</u>	<u>1.77</u>
7. Details of Remuneration of Managing Director and Wholetime Directors debited to Directors' Remuneration Account:		
(i) Salary	9.07	7.61
(ii) Contribution to Provident Fund	1.09	0.91
(iii) Rent Allowance	3.77	3.11
(iv) Perquisites in cash or in kind	0.66	0.55
(v) Commission	12.81	9.00
	<u>27.40</u>	<u>21.18</u>
8. Calculation of net profit for computing the Director's Remuneration:		
Profit as per Profit & Loss Account	387.94	228.79
Add: Director's Remuneration	27.40	21.18
Director's Fees	0.72	0.54
Provision for bad & doubtful debts & advances (net)	2.11	0.44
Wealth Tax Provision	0.14	0.14
	<u>418.31</u>	<u>251.09</u>
Less: Liabilities no longer required written back	12.14	5.90
Net Profit for the year u/s 349	<u>406.17</u>	<u>245.19</u>
Commission @ 2% of net profit to Managing Director	8.12	4.90
Commission @ 1% of net profit to Managing Director (Designate)-Chloro Chemicals restricted to his annual salary	2.78	2.44
Commission @ 1% of net profit to Wholetime Director restricted to his annual salary	1.91	1.66
9. C.I.F. Value of Imports :		
Raw Materials	328.02	362.89
Stores and Spares	49.20	33.79
Capital Goods	4.92	70.05
Others	-	5.54
10. Expenditure in foreign currency (Paid/provided) :		
Travelling	4.34	4.40
Commission	1.64	2.15
Finance/Bank Charges	10.96	4.91
Premium on Redemption of FCCBs	85.03	88.92
Professional Charges	4.59	0.51
Technical know how	0.62	43.77
Others	1.64	2.67
11. Earnings in Foreign Currency:		
F.O.B. Value of Exports	482.06	541.63
Others	-	9.19
12. In the absence of revaluation reserve, depreciation on revalued assets has been charged to Profit & Loss Account.	4.24	4.65
13. Earnings Per Share		
(a) Net Profit available to Equity Shareholders	279.75	146.01
(b) Weighted average number of Equity Shares for EPS calculation		
Number of Equity Shares for basic EPS	56,296,500	56,296,500
Number of potential Equity Shares on conversion of FCCBs	20,682,090	20,682,090
Number of Equity Shares for Diluted EPS	76,978,590	76,978,590
(c) Earnings per Share		
Basic (Rupees)	4.97	2.59
Diluted (Rupees)	3.63	1.90

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R' (Contd.)

(Rs. in million)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

14. The Company had issued 200 0% Foreign Currency Convertible Bonds (FCCB) of USD 100,000 each aggregating to USD 20 million, at par, on May 31, 2006. These Bonds are convertible into Equity Shares of Rs.5 each fully paid, at the conversion price of Rs. 44.67 per share, subject to the terms of issue and price adjustment on the happening of certain events and price reset at the end of 3rd year of issue with a fixed rate of exchange of Rs. 46.19 equal to USD 1. The conversion is at the option of bond-holders at any time on or after June 05, 2006 and prior to the close of business on May 27, 2011. As at the end of the year the entire FCCBs issued were outstanding.

Based on the current applicable conversion price, the Share Capital of the Company will increase by 20,682,090 Equity Shares of Rs.5 each on conversion of these Bonds.

Unless previously converted, the Bonds are redeemable on June 07, 2011 at 144.715 percent of their principal amount. The premium up to 31st March, 2010 amounting to Rs.295.07 million has been accounted for under Provisions.

The Company has utilised the FCCBs issue proceeds towards funding of capital expenditure and related issue expenses.

15. The gain/loss arising from the effect of change in the foreign exchange rates on revaluation of the outstanding Foreign Currency Convertible Bonds (FCCB) & premium thereon, together with gain/loss on remittance/reinstatement of FCCB bank balances which existed during previous year, as calculated pursuant to the requirement of Accounting Standard (AS) 11 are shown as exceptional items.
16. There are no Micro, Small & Medium Enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2010. This information is required to be disclosed under the Micro, Small & Medium enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.
17. The Company has entered into a Joint Venture Agreement with Soluciones Extractivas Alimentarias S.L.A., Spain (Solutex) for manufacturing and marketing, world wide, products such as ingredients and extracts obtained by using the SFE technology with carbon di-oxide including for the flavour and fragrances market or any other market as may be determined by Minerva Flavours and Fragrance Private Limited, the JV Company. The Company together with its wholly owned subsidiary holds 26% stake in joint venture and 74% is held by Solutex. The Company has invested a total amount of Rs.16.29 million (including Rs.3.95 million for share application money pending allotment) till 31st March, 2010
18. In compliance with Accounting Standard 27 on Financial Reporting of Interest in Joint Ventures, following disclosures are made in respect of jointly controlled entity - Minerva Flavours and Fragrance Private Limited, in which the Company is a joint venturer:

Country of Incorporation	India
Percentage of Share in Joint Venture	26%
Assets	18.05
Liabilities	0.21
Income	0.03
Expenditure	0.24
Capital Commitments (net of advances)	8.41

19. Disclosure as required by Accounting Standard 15 (Revised) on Employee Benefits: -
In respect of Leave Encashment & Gratuity, a defined benefit scheme (based on Actuarial Valuation)-

Description	2009-2010		2008-2009	
	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Change in Obligation over the year ended 31-03-2010				
- Present Value of Defined Benefit Obligation as on 01-04-2009	14.57	85.14	13.78	83.82
- Employer Service Cost	1.83	6.03	1.08	5.58
- Interest Cost	1.17	6.71	1.06	6.33
- Curtailment Cost / (Credit)	-	-	-	-
- Settlement Cost / (Credit)	-	-	-	-
- Plan Amendments	-	-	-	-
- Acquisitions	-	-	-	-
- Actuarial (gains) / losses	1.16	4.66	0.58	(2.82)
- Benefits paid	(2.09)	(8.66)	(1.93)	(7.78)
- Present Value of Defined Benefit Obligation as on 31-03-2010	16.64	93.88	14.57	85.13
Expenses recognized during the year 2009-10				
- Employer Expenses	1.83	6.03	1.08	5.58
- Interest Cost	1.17	6.71	1.06	6.33
- Curtailment Cost / (Credit)	-	-	-	-
- Settlement Cost / (Credit)	-	-	-	-
- Actuarial (gains) / losses	1.16	4.66	0.58	(2.82)
Total	4.16	17.40	2.72	9.09

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

(Rs. in million)

Principal Actuarial Assumptions

Discount rate (based on the market yields available on Government bonds at the accounting date with a term that matches that of the liabilities) 7.50% 7.50%

Salary increase (taking into account inflation, seniority, promotion and other relevant factors) 5% 5%

The Company has unfunded scheme for payment of gratuity to all eligible employees calculated at specified number of days of last drawn salary depending upon tenure of service for each year of completed service subject to minimum five years of service payable at the time of separation upon superannuation or on exit otherwise.

In respect of Defined contribution schemes -

The guidance notes on implementation of AS-15 (revised) issued by the ICAI states that provident fund set up by the employers, which require interest shortfall to be met by the employers, needs to be treated as defined benefit plan. The fund set up by the Company does not have existing deficit of interest shortfall. With regard to future obligation arising due to interest shortfall, pending issuance of the guidance notes from Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the provident fund liability. The Company contributes 12% of salary for all eligible employees towards Provident Fund managed either by approved trusts or by the Central Government. The amount debited to Profit and Loss account during the year was Rs. 19.06 million (previous year Rs. 17.97 million).

20. Related Party Disclosures:

(i) List of related parties over which control exists and relationship:

Name of the Related Parties	Relationship
1. Pipri Limited	Wholly Owned Subsidiary
2. Minerva Flavours and Fragrance Private Limited	Joint Venture
3. Mr. R. V. Kanoria - Chairman & Managing Director	Key Management Personnel
4. Mr. J. P. Sonthalia - Managing Director (Designate)-Chloro Chemicals	
5. Mr. T. D. Bahety - Wholetime Director	
6. Mr. S. V. Kanoria	Relative of Key Management Personnel
7. KPL International Limited	Enterprises over which Key Management Personnel exercises significant influence
8. Prajapati Chemicals & Allied Limited	
9. KCI Alco Chem Limited	

(ii) Transaction with related parties:

Nature of Transaction	2009-2010		2008-2009	
	Subsidiary	Joint Venture	Subsidiary	Joint Venture
Dividend Received	31.62	-	1.40	-
Sale of Land	-	16.29	-	-
Investment	-	12.34	-	-
Share Application Money	-	3.95	-	-
Balances (due to)/due from	-	-	-	-

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

(Rs. in million)

Nature of Transaction	2009-2010			2008-2009		
	Key Management Personnel	Relative of Key Management Personnel	Enterprises over which Key Management Personnel exercises significant influence	Key Management Personnel	Relative of Key Management Personnel	Enterprises over which Key Management Personnel exercises significant influence
Remuneration						
Mr. R. V. Kanoria	16.07	-	-	11.17	-	-
Mr. J. P. Sonthalia	6.00	-	-	5.39	-	-
Mr. T. D. Bahety	5.33	-	-	4.62	-	-
Mr. S. V. Kanoria	-	2.25	-	-	1.80	-
Dividend Paid						
Mr. R. V. Kanoria	0.65	-	-	0.65	-	-
Mr. S. V. Kanoria	-	0.83	-	-	0.83	-
Others	0.00	-	-	-	-	-
Sale of Goods						
KPL International Limited	-	-	0.77	-	-	-
Commission Paid						
KPL International Limited	-	-	-	-	-	0.77
Rent received						
KPL International Limited	-	-	0.21	-	-	0.50
Prajapati Chemicals & Allied Limited	-	-	-	-	-	0.20
Rent Paid						
KPL International Limited	-	-	2.89	-	-	-
Payment for Business acquisition						
Prajapati Chemicals & Allied Limited	-	-	22.50	-	-	-
Payment of job work						
Prajapati Chemicals & Allied Limited	-	-	-	-	-	21.69
Security Deposit Received						
KPL International Limited	-	-	0.05	-	-	-
Security Deposit Paid						
KPL International Limited	-	-	1.20	-	-	-
Balances due from	-	-	1.97	-	-	0.01
Balances due to	12.81	0.23	0.05	9.00	0.18	-

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R' (Contd.)

(Rs. in million)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

21. Consumption of Raw Materials and Spares & Components.

	Consumption of Raw Materials				Consumption of Spares and Components			
	2009-2010		2008-2009		2009-2010		2008-2009	
		%		%		%		%
Imported	362.14	21	420.54	20	29.84	45	26.14	34
Indigenous	1,325.74	79	1,671.13	80	36.57	55	50.58	66
	<u>1,687.88</u>	<u>100</u>	<u>2,091.67</u>	<u>100</u>	<u>66.41</u>	<u>100</u>	<u>76.72</u>	<u>100</u>

22. Raw Materials Consumed :

	2009-2010		2008-2009	
	Quantity M.T.	Value	Quantity M.T.	Value
Salt	134,962	282.30	150,658	263.25
Chemical Lime	15,382	68.27	16,042	79.00
Aluminium Ingot	2,537	240.93	2,489	286.08
Normal Paraffin	5,405	290.63	5,406	382.89
Methanol	32,814	409.96	31,421	483.51
Molasses	15,852	97.80	61,240	259.03
Others	-	297.99	-	337.91
		<u>1,687.88</u>		<u>2,091.67</u>

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

23. Segment Reporting:

(A) Primary Segment Information

(Rs. in million)

Business Segment	2009-2010			2008-2009		
	Chloro Chemicals	Alco Chemicals	Total	Chloro Chemicals	Alco Chemicals	Total
Segment Revenue						
External Sales (net of excise)	3,031.76	1,180.05	4,211.81	3,444.06	1,473.91	4,917.97
Inter/Intra Segment Sales	859.71	-	859.71	1,133.33	-	1,133.33
Total:	3,891.47	1,180.05	5,071.52	4,577.39	1,473.91	6,051.30
Segment Result						
(Profit before Interest & Tax)	470.93	64.61	535.54	709.63	129.50	839.13
Less: (i) Interest & Finance Charges			232.35			294.40
(ii) Other Un-allocable expenditure net off Un-allocable income (including exceptional items)			(84.75)			315.94
Profit before Tax			387.94			228.79
Add : Taxation for earlier years			0.71			0.80
Provision for Taxation - Current			62.28			25.96
- Fringe Benefits			-			2.83
- Deferred			46.62			54.79
Net Profit:			279.75			146.01
Other Information						
Segment Assets	5,402.74	1,586.39	6,989.13	5,702.79	1,405.28	7,108.07
Un-allocable Corporate Assets			191.16			196.93
Total Assets:			7,180.29			7,305.00
Segment Liabilities	454.66	138.60	593.26	452.00	152.41	604.41
Un-allocable Corporate Liabilities			417.80			360.25
Total Liabilities:			1,011.06			964.66
Segment Capital Employed	4,948.08	1,447.79	6,395.87	5,250.79	1,252.87	6,503.66
Un-allocable Capital Employed			(226.64)			(163.32)
Total Capital Employed:			6,169.23			6,340.34
Capital Expenditure	179.11	79.48	258.59	313.75	71.18	384.93
Un-allocable Capital Expenditure			3.04			4.20
Total Capital Expenditure:			261.63			389.13
Depreciation & Amortisation	326.89	67.80	394.69	313.66	64.50	378.16
Un-allocable Depreciation			4.87			4.81
Total Depreciation & Amortisation:			399.56			382.97
Other Non-cash expenses	-	-	-	-	-	-

(B) Secondary Segment information (by Geographical demarcation)

Geographical Segment ----->	2009-2010			2008-2009		
	India	Rest of the World	Total	India	Rest of the World	Total
Segment Revenue	4,551.57	519.95	5,071.52	5,483.30	568.00	6,051.30
Segment Assets	7,156.46	23.83	7,180.29	7,282.13	22.87	7,305.00
Segment Liabilities	1,010.11	0.95	1,011.06	963.94	0.72	964.66
Capital Expenditure	261.63	-	261.63	389.13	-	389.13

(C) Other Disclosures

Basis of pricing inter/Intra segment transfer and any change therein:

At prevailing market-rate at the time of transfers.

Segment Accounting Policies

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company.

Type of products included in each reported business segment:

Chloro Chemicals business includes Caustic Soda, Liquid Chlorine, Hydrochloric Acid, Stable Bleaching Powder, Chlorinated Paraffins, Poly Aluminium Chloride, Captive Power, Aluminium Chloride, Salt etc. and Alco Chemicals business includes Pentaerythritol, Sodium Formate, Acetaldehyde, Formaldehyde, Hexamine, Industrial Alcohol, Acetic Acid & Ethyl Acetate etc.

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

24. Licensed & Installed Capacity, Production, Sales and Purchases.

(Rs. in million)

Particulars	Installed Capacity per annum	Actual Production			Sales (including trading sales)			
		2009-10		2008-09	2009-10		2008-09	
		M.T.	M.T.	M.T.	Qty. M.T.	Value	Qty. M.T.	Value
1) Caustic Soda 100% (NaOH)	115,000	83,194	94,207	81,597 8	1,656.79 0.13 **	91,977 6	2,254.70 0.12 **	
By-Products								
(a) Liquid Chlorine	93,000	65,334	69,494	34,121 4	55.04 0.01 **	36,858 2	75.27 0.00 **	
(b) Hydrochloric Acid (Commercial Grade)	22,700	45,864	61,981 *	32,918 16	11.30 0.01 **	48,759 16	33.77 0.01 **	
2) Stable Bleaching Powder	30,000	19,074	21,160	18,965 3	195.04 0.03 **	19,950 7	211.84 0.08 **	
3) Chlorinated Paraffins	20,000	12,217	11,803 #	12,730	497.72	11,100	472.53	
4) Poly Aluminium Chloride (Different Grades)	30,000	25,240	28,925	17,606 13	120.82 0.08 **	19,316 16	144.03 0.10 **	
5) Power Generation (Net) (Electricity)(MW/MU)	50	268.47	314.68	49.88 225.18	186.41 836.88 **	29.74 280.69	91.31 1,076.87 **	
6) Aluminium Chloride	17,000	12,141	12,208	13,093	488.69	12,149	465.90	
7) Salt (Salt Works)	-	-	71,431	- 24,535	- 22.57 **	- 72,301	- 56.15 **	
8) Pentaerythritol	6,000	6,505	6,225	6,774	526.13	5,805	566.75	
9) Sodium Formate	3,900	3,927	3,796	3,935	102.37	3,857	79.97	
10) Acetaldehyde	10,000	3,533	6,827	848	41.13	2,858	123.55	
11) Formaldehyde(37%)	75,000	75,510	72,404	34,766	276.10	36,766	365.02	
12) Hexamine	4,000	5,790	4,491	5,792	291.81	4,498	243.02	
13) Industrial Alcohol (KL)	22,500	4,209	15,657	420	13.67	3,532	105.24	
14) Acetic Acid	6,000	16	1,749	-	-	875	32.33	
15) Ethyl Acetate	3,300	67	2,259	70	3.41	2,256	120.64	
16) Others	-	-	-	-	57.47	-	87.90	
					5,383.61		6,607.10	
**Less: Inter Unit Transfer					859.71		1,133.33	
Excise Duty					312.09		555.80	
Net Sales					4,211.81		4,917.97	

* Includes nil conversion from third party (Previous Year 15,008 MT).

Includes nil conversion from third party (Previous Year 9,031 MT).

Note: Licensed capacities are the same as Installed Capacities where Licence is required. Installed Capacities are as certified by the technical experts of the Company during installation and are same as in previous year except products under item No.1 & 3.

PURCHASES

Particulars	2009-2010		2008-2009	
	Quantity in M.T.	Value	Quantity in M.T.	Value
Caustic Soda 100% (NaOH)	685.77	9.31	-	-
Pentaerythritol	-	-	60.00	6.08
		9.31		6.08

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

25. Opening and Closing Stock of Goods:

(Rs. in million)

Particulars	1.4.2008			31.3.2009 & 1.4.2009		31.3.2010	
	Unit	Quantity	Amount	Quantity	Amount	Quantity	Amount
Caustic Soda 100% (NaOH)	M.T.	1,697	27.39	848	15.29	1,184	18.99
By-Products :							
(a) Liquid Chlorine	M.T.	254	0.50	254	0.13	334	0.46
(b) Hydrochloric Acid	M.T.	162	0.07	569	0.20	267	0.18
Stable Bleaching Powder	M.T.	268	2.65	373	3.65	479	4.06
Chlorinated Paraffins	M.T.	412	14.36	1,113	38.49	600	22.05
Poly Aluminium Chloride (Different Grades)	M.T.	449	2.62	457	2.58	407	2.29
Power banked with UPPCL	M.U.	2.89	5.17	6.00	11.27	-	-
Aluminium Chloride	M.T.	1,492	54.36	1,547	51.83	595	18.39
Salt (Salt Works)	M.T.	43,506	11.94	39,419	15.23	10,494	3.73
Pentaerythritol	M.T.	16	2.22	497	35.98	228	19.16
Sodium Formate	M.T.	69	1.24	9	0.17	-	-
Acetaldehyde	M.T.	70	1.91	22	0.92	54	2.69
Formaldehyde (37%)	M.T.	292	2.54	729	5.04	935	6.23
Hexamine	M.T.	13	0.63	6	0.27	5	0.18
Industrial Alcohol	K.L.	345	4.28	606	13.73	958	24.01
Acetic Acid	M.T.	1	0.02	-	-	-	-
Ethyl Acetate	M.T.	-	0.01	3	0.17	-	-
Others		-	16.31	-	10.43	-	10.84
			<u>148.22</u>		<u>205.38</u>		<u>133.26</u>

Notes : Closing Stock is after adjustment of internal consumption for manufacture of products and wastage / disposal.

26. Figures for the previous year have been regrouped/rearranged, wherever found necessary.

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

27. Information Pursuant to Part IV of Schedule VI to the Companies Act, 1956.

I. Registration Details :			
Registration No.	: L24110WB1960PLC024910	State Code	: 21
Balance Sheet Date	: 31.03.2010		
II. Capital Raised during the Year: (Rs. in million)			
Public Issue	: NIL	Rights Issue	: NIL
Bonus Issue	: NIL	Private Placement	: NIL
III. Position of Mobilisation and Deployment of Funds: (Rs. in million)			
Total Liabilities	: 6,169.23	Total Assets	: 6,169.23
Sources of Funds		Application of Funds	
Paid-Up Capital	: 281.50	Net Fixed Assets	: 5,750.94
Reserves & Surplus	: 2,169.51	Investments	: 69.16
Secured Loans	: 1,977.39	Net Current Assets	: 349.13
Unsecured Loans	: 1,175.97		
Deferred Tax (Net)	: 564.86		
IV. Performance of Company: (Rs. in million)			
Turnover(Gross Revenue)	: 4,336.96		
Total Expenditure	: 3,949.02		
Profit before Tax	: 387.94		
Profit after Tax	: 279.75		
Earning Per Share (Rs.) - Basic	: 4.97		
- Diluted :	3.63		
Dividend Rate	: 30%		
V. Generic Names of Three Principal Products of Company:			
ITC Code No.	: 281512.00		
Product Description	: Caustic Soda 100% (NaOH)		
ITC Code No.	: 290542.00		
Product Description	: Pentaerythritol		
ITC Code No.	: 282732.00		
Product Description	: Aluminium Chloride		

Signatures to Schedules 'A' to 'R'

For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518
Camp: New Delhi
Dated the 30th day of April, 2010

For and on behalf of the Board

AMITAV KOTHARI Director	R. V. KANORIA Managing Director
N. K. NOLKHA Chief Financial Officer	N. K. SETHIA Company Secretary

AUDITORS' REPORT

To the Board of Directors of Kanoria Chemicals & Industries Limited on the Consolidated Financial Statements of Kanoria Chemicals & Industries Limited its Subsidiary and Joint Venture.

1. We have examined the attached Consolidated Balance Sheet of **KANORIA CHEMICALS & INDUSTRIES LIMITED** its subsidiary and joint venture (the group) as at 31st March, 2010 the Consolidated Profit and Loss Account for the year then ended and also the Cash Flow Statement for the year ended on that date.

These financial statements are the responsibility of KANORIA CHEMICALS & INDUSTRIES LIMITED's Management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the generally accepted auditing standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on 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.

2. We did not audit the financial statements of subsidiary, whose financial statements reflect total assets of Rs. 75.29 million as at 31st March 2010, total revenues of Rs.25.33 million and net cash flow of Rs. 2.20 million for the year then ended. The financial statement have been audited by other auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.
3. These consolidated financial statements include total assets of Rs.18.05 million as at 31st December 2009 and total revenue of Rs.0.03 million and net cash flow of Rs.3.60 million for the period then ended, being proportionate share in joint venture Minerva Flavours and Fragrance Pvt Ltd. Which is based on the financial statement audited by the other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the joint venture, is based solely on the report of the other auditor.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, and Accounting standard (AS) 27 'Financial Reporting on interest in Joint Venture and other applicable accounting standards as notified by the Companies (Accounting Standard) Rules 2006.
5. We report that on the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of Kanoria Chemicals & Industries Limited, its subsidiary and joint venture, we are of the opinion that that the said consolidated financial statements read with significant accounting policies in schedule Q and notes appearing thereon, give a true and fair view in conformity with the accounting principal generally accepted in India:
 - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the group as at 31st march 2010;
 - (b) in the case of Consolidated Profit and Loss Account, of the profit of the group for the year then ended and
 - (c) in the case of Consolidated Cash Flow Statement, of the Cash Flow of the group for the year then ended.

For SINGHI & CO.
Chartered Accountants
Firm Registration No.302049E

Camp: New Delhi
1-B, Old Post Office Street, Kolkata
Dated, the 30th day of April 2010

RAJIV SINGHI
Partner
Membership No 53518



CONSOLIDATED BALANCE SHEET

AS AT 31ST MARCH 2010

(Rs. in million)

			31.3.2010	31.3.2009
	Schedule	Interest in Joint Venture	Consolidated	Consolidated
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	A	14.10	281.50	281.50
Share Application Money pending allotment		3.95	-	-
Reserves & Surplus	B	(0.21)	2,196.46	2,083.11
		17.84	2,477.96	2,364.61
Loan Funds				
Secured Loans	C	-	1,977.39	2,371.22
Unsecured Loans	D	-	1,175.97	1,101.39
		-	3,153.36	3,472.61
Deferred Tax (Net)	E	-	564.86	546.48
Total		17.84	6,196.18	6,383.70
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	F	0.34	8,514.17	8,294.09
Less : Depreciation		0.02	3,282.89	2,918.55
: Impairment		-	17.85	17.85
Net Block		0.32	5,213.43	5,357.69
Capital Work-in-Progress		7.78	545.63	515.01
		8.10	5,759.06	5,872.70
Investments		-	79.16	99.13
Current Assets, Loans & Advances				
Inventories	G	-	586.17	498.23
Sundry Debtors		-	511.20	543.25
Cash & Bank Balances		3.60	30.03	48.92
Loans & Advances		6.35	241.88	286.40
		9.95	1,369.28	1,376.80
Less:				
Current Liabilities & Provisions				
Liabilities	H	0.21	512.52	529.35
Provisions		-	498.80	435.58
		0.21	1,011.32	964.93
Net Current Assets		9.74	357.96	411.87
Total		17.84	6,196.18	6,383.70
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS				
	Q			

As per our report annexed
For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518
Camp: New Delhi
Dated the 30th day of April, 2010

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 2010

(Rs. in million)

	Schedule	2009-2010		2008-2009
		Interest in Joint Venture	Consolidated	Consolidated
INCOME				
Net Sales	I	-	4,211.81	4,917.97
Other Income	J	0.03	118.86	86.45
Increase/(Decrease) in Stocks	K	-	(68.82)	60.40
		0.03	4,261.85	5,064.82
EXPENDITURE				
Raw Materials Consumed	L	-	1,687.88	2,091.67
Finished Goods Purchases		-	9.31	6.08
Manufacturing Expenses	M	-	1,062.20	1,127.17
Employees Cost	N	-	332.56	316.03
Selling, Administrative & Other Expenses	O	0.23	300.38	374.17
		0.23	3,392.33	3,915.12
Profit before Interest, Depreciation & Tax		(0.20)	869.52	1,149.70
Interest & Finance Charges	P	0.01	232.36	294.40
Profit before Depreciation & Tax		(0.21)	637.16	855.30
Depreciation & Amortisation		-	399.56	382.97
Profit before Exceptional items & Tax		(0.21)	237.60	472.33
Exceptional items (Refer Note No.C.9 Schedule-'Q')		-	143.15	(243.43)
Profit before Tax		(0.21)	380.75	228.90
Add: Taxation for earlier years		-	0.63	0.59
Less: Provision for Taxation - Current		-	66.28	25.96
- Fringe Benefits		-	-	2.83
- Deferred		-	46.62	54.79
Net Profit		(0.21)	268.48	145.91
Balance as per last Account		-	260.90	234.04
		(0.21)	529.38	379.95
APPROPRIATIONS				
Proposed Dividend on Equity Shares		-	84.44	84.44
Provision for Dividend Tax		-	8.77	14.35
Dividend Tax Paid		-	5.14	-
Transfer to Special Reserve		-	4.12	0.26
Transfer to General Reserve		-	152.06	20.00
Balance Carried to Balance Sheet		(0.21)	274.85	260.90
		(0.21)	529.38	379.95
EARNINGS PER SHARE (Face Value Rs. 5 each)				
(Refer Note No.C.6 Schedule-'Q')				
- BASIC (Rs.)			4.77	2.59
- DILUTED (Rs.)			3.49	1.90
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS				
	Q			

As per our report annexed
For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518
Camp: New Delhi
Dated the 30th day of April, 2010

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in million)

	2009-2010		2008-2009
	Interest in Joint Venture	Consolidated	Consolidated
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before Income Tax & Exceptional items	(0.21)	237.60	472.33
Adjustments for:			
Depreciation & Amortisation	-	399.56	382.97
Interest Charged	0.01	232.36	294.40
(Profit)/Loss on Sale of Fixed Assets (net)	-	(17.16)	19.92
(Profit)/Loss on Investment (net)	-	(23.68)	0.33
Interest Income	(0.03)	(3.06)	(5.10)
Dividend Income	-	(1.67)	(2.48)
Operating Profit before Working Capital changes	(0.23)	823.95	1,162.37
Adjustments for:			
Trade and Other receivables	(6.33)	65.33	25.98
Inventories	-	(87.94)	(40.71)
Trade Payables	0.21	52.08	54.22
Cash generated from Operations	(6.35)	853.42	1,201.86
Income Tax & FBT (Paid)/Received	-	(55.22)	(32.07)
NET CASH FROM OPERATING ACTIVITIES	(6.35)	798.20	1,169.79
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	(8.10)	(239.73)	(373.64)
Sale of Fixed Assets	-	23.81	27.49
Purchase of Investments	-	(29.70)	(18.54)
Sale of Investments	-	73.36	18.96
Interest received	0.01	3.87	4.52
Dividend received	-	1.67	2.48
NET CASH USED IN INVESTING ACTIVITIES	(8.09)	(166.72)	(338.73)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Equity Shares	14.10	-	-
Proceeds from Share Application Money	3.95	-	-
Proceeds from Long Term Borrowings (Net of repayments)	-	(319.25)	(61.99)
Foreign Exchange Fluctuation on FCCBs related transactions	-	143.15	(243.43)
Premium on Redemption of FCCBs	-	(85.03)	(88.92)
Dividend Paid (including Dividend Tax)	-	(103.93)	(99.03)
Interest Paid	(0.01)	(285.56)	(342.27)
NET CASH USED IN FINANCING ACTIVITIES	18.04	(650.62)	(835.64)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3.60	(19.14)	(4.58)
CASH AND CASH EQUIVALENTS - AS AT 01.04.2009	-	47.19	51.77
CASH AND CASH EQUIVALENTS - AS AT 31.03.2010	3.60	28.05	47.19

Notes:

- Cash and Cash equivalents included in the Cash Flow Statement comprise the following Balance Sheet amounts:

Cash and Bank Balances	3.60	30.03	48.92
Less: Unpaid Dividend	-	1.98	1.73
Cash and Cash equivalents	3.60	28.05	47.19
- Above statement has been prepared in indirect method except in case of interest, dividend and taxes which have been considered on the basis of actual movement of cash, with corresponding adjustments in assets & liabilities.
- Additions to Fixed Assets are stated inclusive of movements of capital work in progress in between beginning and end of the year and treated as part of Investing Activities.

For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518
Camp: New Delhi
Dated the 30th day of April, 2010

For and on behalf of the Board

AMITAV KOTHARI
Director
R. V. KANORIA
Managing Director
N. K. NOLKHA
Chief Financial Officer
N. K. SETHIA
Company Secretary

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

(Rs. in million)

	31.3.2010		31.3.2009
	Interest in Joint Venture	Consolidated	Consolidated

SCHEDULE 'A' SHARE CAPITAL

SUBSCRIBED, CALLED AND PAID UP

56,296,500 Equity Shares of Rs. 5 each fully paid-up	14.10	281.48	281.48
Add: Forfeited Shares (Amount paid up)	-	0.02	0.02
	<u>14.10</u>	<u>281.50</u>	<u>281.50</u>

Note: Of the above, following were allotted:

- as fully paid Bonus Shares-
6,271,600 by capitalisation of General Reserve
18,765,500 by capitalisation of Capital Redemption Reserve
- as fully paid Shares-
6,200 allotted pursuant to scheme of amalgamation

SCHEDULE 'B' RESERVES & SURPLUS

CAPITAL RESERVE

As per last Balance Sheet	-	34.17	34.17
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CAPITAL REDEMPTION RESERVE

As per last Balance Sheet	-	9.67	9.67
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SECURITIES PREMIUM ACCOUNT

As per last Balance Sheet	-	752.20	810.90
Less: Premium on redemption of FCCBs (net of Deferred Tax)	-	56.78	58.70
	-	<u>695.42</u>	<u>752.20</u>

SPECIAL RESERVE

As per last Balance Sheet	-	12.80	12.54
Add: Transfer from Profit & Loss Account	-	4.12	0.26
	-	<u>16.92</u>	<u>12.80</u>

GENERAL RESERVE

As per last Balance Sheet	-	1,013.37	993.37
Add: Transfer from Profit & Loss Account	-	152.06	20.00
	-	<u>1,165.43</u>	<u>1,013.37</u>

PROFIT & LOSS ACCOUNT

As per annexed Account	(0.21)	274.85	260.90
	<u>(0.21)</u>	<u>2,196.46</u>	<u>2,083.11</u>

SCHEDULE 'C' SECURED LOAN

Term Loans

From Banks	-	1,050.48	1,492.14
From Others	-	625.00	650.00

Vehicle Financing

From Banks (against hypothecation of related Vehicles)	-	10.06	11.27
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Working Capital Loans

From Banks	-	291.85	217.81
	-	<u>1,977.39</u>	<u>2,371.22</u>

- Term Loans aggregating Rs.1,675.48 million are secured by first charge and mortgage by deposit of title deeds of immovable properties and hypothecation of movable fixed assets situated at Renukoot, Dist. Sonbhadra (Uttar Pradesh), both present and future, ranking pari passu with the mortgages and charges created in favour of other term lenders.
- Working Capital Loans aggregating Rs.174.32 million are secured against division wise hypothecation of Stocks, Book Debts, Stores & second charge on all other assets and Rs.117.53 million are secured against hypothecation by way of a subservient charge on all current assets and movable fixed assets of Renukoot Unit.
- Instalments payable within one year Rs. 405.59 million.



SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

(Rs. in million)

	31.3.2010		31.3.2009
	Interest in Joint Venture	Consolidated	Consolidated
SCHEDULE 'D'			
UNSECURED LOAN			
Long Term			
Foreign Currency Convertible Bond (Refer Note No.C.8 Schedule-'Q')	-	902.80	1,019.00
Short Term			
From Banks	-	273.17	82.39
	<u>-</u>	<u>1,175.97</u>	<u>1,101.39</u>
SCHEDULE 'E'			
DEFERRED TAX (NET)			
DEFERRED TAX LIABILITY			
Depreciation	-	664.87	618.97
DEFERRED TAX ASSETS			
Retirement Benefits	-	36.71	33.89
Premium on Redemption of FCCBs	-	54.41	30.23
Others	-	8.89	8.37
	-	100.01	72.49
	<u>-</u>	<u>564.86</u>	<u>546.48</u>

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

SCHEDULE 'F' FIXED ASSETS

(Rs. in million)

PARTICULARS	GROSS BLOCK			DEPRECIATION			IMPAIRMENT		NET BLOCK		
	As at 31.3.2010		As at 31.3.2009	As at 31.3.2010		As at 31.3.2009	As at 31.3.2010	As at 31.3.2009	As at 31.3.2010		As at 31.3.2009
	Interest in Joint Venture	Consolidated	Consolidated	Interest in Joint Venture	Consolidated	Consolidated	Consolidated	Consolidated	Interest in Joint Venture	Consolidated	Consolidated
TANGIBLE ASSETS											
Goodwill	-	0.02	0.02	-	-	-	-	-	-	0.02	0.02
Land & Site Development	0.26	205.38	205.04	-	-	-	-	-	0.26	205.38	205.04
Leasehold land & Site Development	-	19.78	19.78	-	4.43	4.22	-	-	-	15.35	15.56
Buildings	-	1,125.87	1,057.92	-	248.33	219.97	-	-	-	877.54	837.95
Plant & Machinery	-	6,866.67	6,728.95	-	2,894.72	2,577.42	17.85	17.85	-	3,954.10	4,133.68
Railway Siding & Weigh Bridge	-	62.97	62.97	-	12.61	9.63	-	-	-	50.36	53.34
Vehicles and Fork Lifts	-	95.34	91.74	-	39.34	31.81	-	-	-	56.00	59.93
Furniture & Fixture, Office & Laboratory Equipments etc.	0.08	130.77	124.76	0.02	81.57	74.84	-	-	0.06	49.20	49.92
INTANGIBLE ASSETS											
Computer Software	-	7.37	2.91	-	1.89	0.66	-	-	-	5.48	2.25
	0.34	8,514.17	8,294.09	0.02	3,282.89	2,918.55	17.85	17.85	0.32	5,213.43	5,357.69
Capital Work-in-Progress									7.78	545.63	515.01
TOTAL									8.10	5,759.06	5,872.70
Figures for the corresponding Previous year	-	8,294.09	7,983.23	-	2,918.55	2,566.43	17.85	17.85	-	5,872.70	5,879.02

NOTES:

- Land & Site Development includes forest products on Land and Plantation Rs. 7.75 million.
- Capital Work-in-Progress includes project advances Rs. 28.98 million (Previous year Rs. 4.77 million).
- Fixed Assets of the Company, excluding some minor items, were revalued by approved valuer on Net Current Replacement Basis on 31st March, 1992 and thereby the value of Fixed Assets increased with corresponding credit to Revaluation Reserve. Net Block as on 31st March, 2010 includes Revalued amount of Rs. 122.24 million.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

(Rs. in million)

	31.3.2010	31.3.2009
	Interest in Joint Venture	Consolidated

SCHEDULE 'G' CURRENT ASSETS, LOANS & ADVANCES

INVENTORIES

(as certified by the Management)

Stores and Spare Parts etc. (including Machinery Spares of irregular use Rs. 0.43 million) (Previous Year Rs. 0.52 million)	-	137.21	131.05
Coal and Fuel at Power Plant	-	96.28	5.65
Raw Materials	-	181.45	120.54
Finished Goods	-	133.26	194.11
Work-in-Process	-	37.97	35.61
Power banked with UPPCL	-	-	11.27
	-	586.17	498.23

SUNDRY DEBTORS

Debts outstanding for a period exceeding six months

Considered Good			
Secured	-	0.41	0.55
Unsecured	-	21.16	29.99
Considered Doubtful	-	18.28	17.16
Less: Provision	-	18.28	17.16
		-	-
Under Litigation	-	6.75	6.65
Less: Provision	-	6.75	6.65

Other Debts

Considered Good			
Secured	-	0.94	2.09
Unsecured	-	488.69	510.62
	-	511.20	543.25

CASH AND BANK BALANCES

Cash Balance (as certified)	0.00	0.81	0.82
Drafts/T.T in transit/Cheques in hand	-	4.76	5.33
Balances with Scheduled Banks			
In Current Account	0.09	15.69	36.19
In Current Account (Foreign Currency)	-	0.69	0.78
In No lien Account	-	-	0.10
In Unpaid Dividend Account	-	1.98	1.73
In Fixed Deposit Account (Receipt deposited as security Rs.2.59 million)	3.51	6.10	3.97
	3.60	30.03	48.92

CURRENT ASSETS, LOANS & ADVANCES

LOANS & ADVANCES

Advances (Recoverable in cash or in kind or for value

to be received and/or pending adjustments)

(Unsecured, Considered Good)

For purchase of Goods (including Capital items Rs. 8.15 million)

(Previous Year Rs. 2.49 million)

Considered Doubtful	-	52.54	64.13
Less: Provision	-	0.14	0.16
		-	-
Under Litigation	-	0.92	-
Less: Provision	-	0.92	-
		-	-
Other Advances	6.18	40.78	38.59
Considered Doubtful	-	0.05	0.05
Less: Provision	-	0.05	0.05
		-	-
Under Litigation	-	0.60	0.60
Less: Provision	-	0.60	0.60

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

(Rs. in million)

	31.3.2010		31.3.2009
	Interest in Joint Venture	Consolidated	Consolidated
To Staff	-	4.34	3.09
Interest and Dividend Receivable	0.02	1.23	2.04
Balance with Central Excise and other Government Authorities	0.14	50.84	71.80
Income, Wealth & Fringe Benefits Tax Payments and Tax Deducted at Source less Provision	0.00	45.24	55.67
Export Benefits and Claims Receivable	-	15.73	16.25
Deposits (Unsecured, Considered Good)	0.01	31.18	34.83
	<u>6.35</u>	<u>241.88</u>	<u>286.40</u>
	<u>9.95</u>	<u>1,369.28</u>	<u>1,376.80</u>

SCHEDULE 'H' CURRENT LIABILITIES & PROVISIONS

CURRENT LIABILITIES

Sundry Creditors

Micro, Small & Medium Enterprises	-	-	-
Others	0.21	437.30	462.47
Customers' Credit Balances	-	52.58	44.72
Security and Trade Deposits	-	16.61	16.02
Investor Education & Protection Fund shall be credited by:			
Unclaimed Dividend	-	1.98	1.73
Interest accrued but not due	-	4.05	4.41
	<u>0.21</u>	<u>512.52</u>	<u>529.35</u>

PROVISIONS

For Gratuity	-	93.88	85.14
For Accrued Leave	-	16.64	14.58
For Premium on Redemption of FCCBs	-	295.07	237.07
For Proposed Dividend	-	84.44	84.44
For Dividend Tax	-	8.77	14.35
	<u>-</u>	<u>498.80</u>	<u>435.58</u>

SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT

(Rs. in million)

	2009-2010		2008-2009
	Interest in Joint Venture	Consolidated	Consolidated

SCHEDULE 'I'

NET SALES

Gross Sales	-	5,383.61	6,607.10
Less: Inter Unit Transfer	-	859.71	1,133.33
Excise Duty	-	312.09	555.80
	<u>-</u>	<u>4,211.81</u>	<u>4,917.97</u>

SCHEDULE 'J'

OTHER INCOME

Rent	-	1.85	1.21
Income from Long term Investments (Gross)			
Dividend	-	1.67	2.48
Interest (Gross) (Tax deducted at source Rs. 0.05 million) (Previous Year Rs. 0.23 million)			
On Fixed Deposits with Banks	0.03	0.27	0.25
On Loans to Bodies Corporate	-	-	0.03
From Others	-	2.79	4.82
		3.06	5.10
Miscellaneous Receipts and Others	-	71.44	77.66
Profit on Sale of Investments (Net)	-	23.68	-
Profit on Fixed Assets sold/discarded (Net)	-	17.16	-
	<u>0.03</u>	<u>118.86</u>	<u>86.45</u>

SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT

(Rs. in million)

	2009-2010		2008-2009
	Interest in Joint Venture	Consolidated	Consolidated

SCHEDULE 'K'

INCREASE/(DECREASE) IN STOCKS

Closing stock			
Finished Goods	-	133.26	194.11
Work-in-Process	-	37.97	35.61
Power banked with UPPCL	-	-	11.27
	-	<u>171.23</u>	<u>240.99</u>
Deduct:			
Opening Stock			
Finished Goods	-	194.11	143.06
Work-in-Process	-	35.61	38.22
Power banked with UPPCL	-	11.27	5.17
	-	<u>240.99</u>	<u>186.45</u>
	-	(69.76)	54.55
Increase/(Decrease) in Excise Duty on Stocks	-	0.94	5.85
	-	<u>(68.82)</u>	<u>60.40</u>

SCHEDULE 'L'

RAW MATERIALS CONSUMED

Opening Stock	-	120.54	136.05
Add : Purchases	-	1,748.79	2,076.16
	-	<u>1,869.33</u>	<u>2,212.21</u>
Less: Closing Stock	-	181.45	120.54
	-	<u>1,687.88</u>	<u>2,091.67</u>

SCHEDULE 'M'

MANUFACTURING EXPENSES

Consumption of Stores & Spare parts etc.	-	133.39	168.12
Other Manufacturing Expenses	-	8.11	33.35
Power & Fuel	-	781.24	749.00
Repairs to :			
Plant & Machinery	-	97.48	127.90
Buildings	-	21.40	25.24
Others	-	8.75	9.54
Water Charges & Cess	-	11.83	14.02
	-	<u>1,062.20</u>	<u>1,127.17</u>

SCHEDULE 'N'

EMPLOYEES COST

Salaries, Wages, Bonus & Gratuity etc. (including payments to Contractors)	-	289.32	273.30
Contribution to Provident Fund	-	19.06	17.97
Welfare Expenses	-	24.18	24.76
	-	<u>332.56</u>	<u>316.03</u>

SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT

(Rs. in million)

	2009-2010		2008-2009
	Interest in Joint Venture	Consolidated	Consolidated

SCHEDULE 'O'

SELLING, ADMINISTRATIVE & OTHER EXPENSES

Rates & Taxes (including Provision for wealth tax Rs. 0.14 million) (Previous Year Rs.0.14 million)	0.11	5.17	4.05
Rent	-	14.85	7.61
Insurance	-	11.97	8.58
Legal and Professional Charges	0.01	17.76	21.42
Miscellaneous Expenses	0.00	63.74	65.10
Foreign Exchange Rate Fluctuation	-	-	25.08
Loss on Commodity Future Trade	-	-	2.83
Commission & Brokerage to Others	-	24.97	32.29
Freight, Handling & Other Charges	-	107.77	139.56
Directors' Fees	-	0.73	0.55
Travelling Expenses (including Directors' Travelling Rs. 3.32 million) (Previous Year Rs. 4.37 million)	-	17.11	20.85
Charity & Donations	-	0.12	0.32
Sales/Turnover Tax (net)	-	0.00	-
Payment to Auditors	0.10	1.99	1.82
Directors' Remuneration	-	27.40	21.18
Provision for bad & doubtful Debts & Advances (net)	-	2.11	0.44
Unrealised Debts and Claims written off	-	3.11	0.81
Preliminary expenses written off	0.01	0.01	-
Loss on Sale of Investments (Net)	-	-	0.33
Loss on Fixed Assets sold/discarded (Net)	-	-	19.92
Previous Years Adjustments (Net)	-	1.57	1.43
	<u>0.23</u>	<u>300.38</u>	<u>374.17</u>

SCHEDULE 'P'

INTEREST & FINANCE CHARGES

On Fixed Loans	-	227.52	233.05
To Banks and Others	-	30.52	89.80
Finance/Bank Charges	0.01	27.16	21.98
	<u>0.01</u>	<u>285.20</u>	<u>344.83</u>
Less: Capitalised	-	52.84	50.43
	<u>0.01</u>	<u>232.36</u>	<u>294.40</u>

SCHEDULE 'Q'

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

A. PRINCIPLES OF CONSOLIDATION

- (a) The financial statements have been prepared to comply in all material aspects with applicable accounting principles in India, and the Accounting Standards as prescribed by Companies (Accounting Standards) Rule, 2006 issued by Ministry of Corporate Affairs.
- (b) The Consolidated Financial Statements (CFS) relate to Kanoria Chemicals & Industries Limited (the Company), its subsidiary and its interest in Joint Ventures (the Group). The CFS have been prepared in accordance with the Accounting Standards - 21 on 'Consolidated Financial Statements' and Accounting Standard - 27 on 'Financial reporting of interests in Joint Ventures' and are prepared on the following principles:
 - (i) The financial statements of the company and its subsidiary are combined on a line by line basis by adding together the book value of the like items of assets, liabilities, income and expenses, after fully eliminating inter group balances and transactions. The difference between the company's cost of investments in the Subsidiary, over its portion of equity at the time of acquisition of shares is recognised in the CFS as Goodwill or Capital Reserve as the case may be.
 - (ii) Interest in jointly controlled entities, where the company is direct venturer, are accounted for using proportionate consolidation in accordance with AS 27. The difference between cost of the company's interest in jointly controlled entities over its share of net assets in the jointly controlled entities, at the date on which interest is acquired, is recognised in the CFS as Goodwill or Capital Reserve as the case may be.
 - (iii) The CFS are prepared by using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any to the extent possible, are made in the CFS and are presented in the same manner as the Company's separate financial statements except otherwise stated elsewhere in this schedule.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

SCHEDULE 'Q' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

B. SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention:

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India, applicable Accounting Standards as prescribed by Companies (Accounting Standards) Rule, 2006 issued by Ministry of Corporate Affairs and the provisions of the Companies Act, 1956, except for certain fixed assets which have been revalued.

All items of income and expenditure have been recognised on accrual basis. The accounting policies applied by the Company are consistent with those used in the previous years.

2. Use of Estimates:

The preparation of financial statements require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

3. Revenue Recognition:

Sales revenue is recognised on transfer of significant risk and rewards of the ownership of the goods to the buyer and stated at net of trade discounts and rebates. Other income is recognised on accrual basis. Dividend income on investments is accounted for when the right to receive the payment is established.

4. Fixed Assets:

(i) Fixed Assets, including modernisation expenses incurred are stated at cost of acquisition, construction and improvement made, which is inclusive of freight, duties, taxes, incidental expenses, interest & fund raising cost and other pre-operative expenses apportioned and also includes revaluation amount.

(ii) Capital Work-in-Progress is stated at cost including project advances, interest and related expenses incurred during construction or pre-operative period.

(iii) Intangible Assets are stated at cost of acquisition less accumulated amortization.

5. Depreciation/Amortisation:

(i) Depreciation has been calculated on Straight Line Method (SLM) on the assets acquired/installed upto 30th June, 1986 at the rates prevailing at the time of acquisition or installation of the said assets. On the assets acquired thereafter upto 31st March, 1993 the specified period was recomputed according to the revised rates of depreciation as prescribed in Schedule XIV to the Companies Act, 1956 and the amount of depreciation on these assets has been calculated by allocating unamortised value over the remaining part of the recomputed specified period. Depreciation on subsequent additions has been calculated at SLM as per the rates prescribed in Schedule XIV to the Companies Act, 1956.

(ii) Lease hold land is being amortised over the period and/or remaining period of the lease.

(iii) Depreciation on revalued amount of Fixed Assets has been calculated on pro-rata basis to their residual life and charged to Profit & Loss Account in absence of Revaluation Reserve.

(iv) Intangible Assets consisting of Computer Software are amortised over a period of three years using Straight Line Method.

6. Foreign Currency Transaction :

(i) Year end balance of foreign currency transactions is translated at the year end rates and the corresponding effect is given in the accounts excepting those transactions covered by the fixed forward contract for conversion of foreign currency loan in rupee loan which are stated at contracted amount. Transactions completed during the year are adjusted on actual basis.

(ii) In respect of transactions covered under forward foreign exchange contracts, the difference between the forward rate and exchange rate at the inception of contract is recognised as income or expense over the life of the contract.

(iii) Effects arising of interest swap contracts are being adjusted on the date of settlement. Year end liabilities/assets are recognised at the relevant rate prevailing on that date.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

SCHEDULE 'Q' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

7. Inventories:

Inventories are valued as under:-

Stores & Spare Parts etc.#	At Cost or net realisable value whichever is lower
Raw Materials #	At Cost or net realisable value whichever is lower
Coal & Fuel at Power Plant #	At Cost or net realisable value whichever is lower
Machinery Spares of Irregular Use*	At Written Down Value
Finished Goods	At Cost or net realisable value, whichever is lower and in case of products, where cost cannot be ascertained, at net realisable value.
Work-in-Process	At Raw Material Cost and/or at cost or net realisable value, whichever is lower
Power Banked	At Cost

* Written off over the remaining useful life of the respective machinery.

The Cost at Chloro Chemicals has been arrived at using FIFO method and at Alco Chemicals using Weighted Average method.

8. Investments:

Long term Investments are stated at cost less provision, if any, for diminution, which is considered as permanent in nature.

9. Employee Benefits:

Employee benefits of short-term nature are recognised as expenses as and when it accrues. Long-term employee benefits (e.g. long- service leave) and post employment benefits (e.g., gratuity), both unfunded, are recognised on expenses based on actuarial valuation at year end using projected unit credit method. Actuarial gain and losses are recognised immediately in the profit and loss account.

10. Taxation:

- (i) Provision for current Income Tax is made in accordance with the Income Tax Act, 1961. Deferred Tax is measured in accordance with Accounting Standard 22- 'Accounting for Taxes on Income', as specified in the Companies (Accounting Standard) Rule, 2006 issued by Ministry of Corporate Affairs. The deferred tax charge or credit is recognised, subject to consideration of prudence, using substantively enacted tax rates, for timing differences between book and tax profits that originate in one period and are capable of reversal in one or more subsequent periods.
- (ii) Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period. In the year in which minimum alternative tax credit becomes eligible to be recognised as an asset in accordance with the recommendation contained in guidance note issued by The Institute of Chartered Accountants of India, the said asset is created by way of credit to Profit & Loss Account. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.

11. Borrowing Cost:

Interest and other costs in connection with the borrowing of the funds to the extent related/attribution to the acquisition/construction of qualifying fixed assets are capitalised upto the date when such assets are ready for its intended use and other borrowing costs are charged to Profit & Loss Account.

Premium on redemption of Bonds/Debentures to the extent they are related/attribution to acquisition/ construction of qualifying fixed assets are capitalized upto the date when such assets are ready for its intended use. Thereafter, Premium on redemption of Bonds/Debentures, net of tax impact, are adjusted against Securities Premium Account.

12. Impairment:

Impairment loss is recognised wherever the carrying amount of an assets is in excess of its recoverable amount and the same is recognised as an expense in the statement of Profit and Loss and carrying amount of the assets is reduced to its recoverable amount. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the assets no longer exist or have decreased.

13. Commodity hedging contracts:

The realized gain or loss in respect of commodity hedging contracts, the pricing period of which has expired during the year are recognized in Profit and Loss Account. However, in respect of contracts, the pricing period of which extends beyond the Balance Sheet date, provisions for net loss on mark to market basis is made.

14. Contingent Liabilities:

Contingent Liabilities are not provided for and are separately disclosed by way of a note in this Schedule.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

SCHEDULE 'Q' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

C. NOTES ON ACCOUNTS

1. The list of subsidiary and joint venture which are included in the CFS of the company and the company's effective ownership interest therein are as under :

Name of the Company	Relationship	Country of Incorporation	ownership interest
Pipri Limited	Subsidiary	India	100%
Minerva Flavours & Fragrance Private Limited	Joint Venture	India	26%

2. The CFS has been prepared using the financial statements of Joint Venture Entity which are drawn and audited upto 31st December, 2009 after making necessary adjustments for the effect of significant transactions that occurred between the date of financial statement of JV and that of the company.

(Rs. in million)

	2009-2010		2008-2009
	Interest in Joint Venture	Consolidated	Consolidated
3. Contingent Liabilities not provided for in respect of:			
(a) Outstanding Bank Guarantees		78.16	69.34
(b) Claims/Disputed liabilities not acknowledged as debt (paid Rs. 7.39 Million)		101.07	41.75
4. Corporate Guarantee given to Gujarat Industrial Development Corporation for securing loan by Bharuch Eco -Aqua Infrastructure Limited.		11.63	11.63
5. Estimated amount of contracts remaining to be executed on capital account and not provided for	8.41	417.66	48.24
Advances paid	-	37.13	7.26
6. Earnings Per Share			
(a) Net Profit available to Equity Shareholders		268.48	145.91
(b) Weighted average number of Equity Shares for EPS calculation			
Number of Equity Shares for basic EPS		56,296,500	56,296,500
Number of potential Equity Shares on conversion of FCCBs		20,682,090	20,682,090
Number of Equity Shares for Diluted EPS		76,978,590	76,978,590
(c) Earnings per Share			
Basic (Rupees)		4.77	2.59
Diluted (Rupees)		3.49	1.90

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

SCHEDULE 'Q' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

7. Segment Reporting

(A) Primary Segment Information (by Business Segment)

(Rs. in million)

Business Segment	2009-2010				2008-2009			
	Chloro Chemicals	Alco Chemicals	Others	Total	Chloro Chemicals	Alco Chemicals	Others	Total
Segment Revenue								
External Sales(net of excise)/Revenue	3,031.76	1,180.05	-	4,211.81	3,444.06	1,473.91	-	4,917.97
Inter/Intra Segment Sales	859.71	-	-	859.71	1,133.33	-	-	1,133.33
Total:	3,891.47	1,180.05	-	5,071.52	4,577.39	1,473.91	-	6,051.30
Segment Result								
(Profit before Interest & Tax)	470.93	64.61	24.45	559.99	709.63	129.50	1.51	840.64
Less: (i) Interest				232.36				294.40
(ii) Other Un-allocable expenditure net off Un-allocable income (including exceptional items)				(53.12)				317.34
Profit before Tax				380.75				228.90
Add : Taxation for earlier years				0.63				0.59
Provision for Taxation - Current				66.28				25.96
- Fringe Benefits				-				2.83
- Deferred				46.62				54.79
Net Profit:				268.48				145.91
Other Information								
Segment Assets	5,402.74	1,586.39	85.24	7,074.37	5,702.79	1,405.28	91.63	7,199.70
Un-allocable Corporate Assets				133.13				148.93
Total Assets:				7,207.50				7,348.63
Segment Liabilities	454.66	138.60	0.26	593.52	452.00	152.41	0.28	604.69
Un-allocable Corporate Liabilities				417.80				360.25
Total Liabilities:				1,011.32				964.93
Segment Capital Employed	4,948.08	1,447.79	84.98	6,480.85	5,250.79	1,252.87	91.35	6,595.01
Un-allocable Capital Employed				(284.67)				(211.31)
Total Capital Employed:				6,196.18				6,383.70
Capital Expenditure	179.11	79.48	0.34	258.93	313.75	71.18	-	384.93
Un-allocable Capital Expenditure				3.04				4.20
Total Capital Expenditure:				261.97				389.13
Depreciation & Amortisation	326.89	67.80	-	394.69	313.66	64.50	-	378.16
Un-allocable Depreciation				4.87				4.81
Total Depreciation:				399.56				382.97
Other Non-cash expenses	-	-	-	-	-	-	-	-

(B) Secondary Segment information (by Geographical demarcation)

Geographical Segment----->	2009-2010				2008-2009			
	India	Rest of the World	Others	Total	India	Rest of the World	Others	Total
Segment Revenue	4,551.57	519.95	-	5,071.52	5,483.30	568.00	-	6,051.30
Segment Assets	7,098.43	23.83	85.24	7,207.50	7,234.13	22.87	91.63	7,348.63
Segment Liabilities	1,010.11	0.95	0.26	1,011.32	963.93	0.72	0.28	964.93
Capital Expenditure	261.63	-	0.34	261.97	389.13	-	-	389.13

(C) Other Disclosures

Basis of pricing inter/Intra segment transfer and any change therein:

At prevailing market-rate at the time of transfers.

Segment Accounting Policies

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company and its subsidiary & Joint venture.

Type of products included in each reported business segment:

Chloro Chemicals business includes Caustic Soda, Liquid Chlorine, Hydrochloric Acid, Stable Bleaching Powder, Chlorinated Paraffins, Poly Aluminium Chloride, Captive Power, Aluminium Chloride, Salt etc., Alco Chemicals business includes Pentaerythritol, Sodium Formate, Acetaldehyde, Formaldehyde, Hexamine, Industrial Alcohol, Acetic Acid, Ethyl Acetate etc. and others include Financial Activities & others.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

SCHEDULE 'Q' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

8. The Company had issued 200 0% Foreign Currency Convertible Bonds (FCCB) of USD 100,000 each aggregating to USD 20 million, at par, on May 31, 2006. These Bonds are convertible into Equity Shares of Rs.5/- each fully paid, at the conversion price of Rs. 44.67 per share, subject to the terms of issue and price adjustment on the happening of certain events and price reset at the end of 3rd year of issue with a fixed rate of exchange of Rs. 46.19 equal to USD 1. The conversion is at the option of bond-holders at any time on or after June 05, 2006 and prior to the close of business on May 27, 2011. As at the end of the year the entire FCCBs issued were outstanding.

Based on the current applicable conversion price, the Share Capital of the Company will increase by 20,682,090 Equity Shares of Rs.5/- each on conversion of these Bonds.

Unless previously converted, the Bonds are redeemable on June 07, 2011 at 144.715 percent of their principal amount. The premium up to 31st March, 2010 amounting to Rs.295.07 million has been accounted for under Provisions.

The Company has utilised the FCCBs issue proceeds towards funding of capital expenditure and related issue expenses.

9. The gain/loss arising from the effect of change in the foreign exchange rates on revaluation of the outstanding Foreign Currency Convertible Bonds (FCCB) & premium thereon, together with gain/loss on remittance/reinstatement of FCCB bank balances which existed during previous year, as calculated pursuant to the requirement of Accounting Standard (AS) 11 are shown as exceptional items.
10. Related Party Disclosures:

- (i) List of related parties over which control exists and relationship:

Name of the Related Parties	Relationship
1. Minerva Flavours and Fragrance Private Limited	Joint Venture
2. Mr. R. V. Kanoria - Chairman & Managing Director	Key Management Personnel
3. Mr. J. P. Sonthalia - Managing Director (Designate)-Chloro Chemicals	
4. Mr. T. D. Bahety - Whole Time Director	
5. Mr. S. V. Kanoria	Relative of Key Management Personnel
6. KPL International Limited	Enterprises over which Key Management Personnel exercises significant influence
7. Prajapati Chemicals & Allies Limited	
8. KCI Alco Chem Limited	

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

SCHEDULE 'Q' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

(ii) Transaction with related parties:

(Rs. in million)

Nature of Transaction	2009-2010				2008-2009			
	Joint Venture	Key Management Personnel	Relative of Key Management Personnel	Enterprises over which Key Management Personnel exercises significant influence	Joint Venture	Key Management Personnel	Relative of Key Management Personnel	Enterprises over which Key Management Personnel exercises significant influence
Sale of Land	16.29	-	-	-	-	-	-	-
Remuneration	-	27.40	2.25	-	-	21.18	1.80	-
Dividend Paid	-	0.66	0.83	-	-	0.66	0.83	-
Sale of Goods	-	-	-	0.77	-	-	-	-
Commission Paid	-	-	-	-	-	-	-	0.77
Rent received	-	-	-	0.21	-	-	-	0.70
Rent Paid	-	-	-	2.89	-	-	-	-
Payment for Business acquisition	-	-	-	22.50	-	-	-	-
Payment of job work	-	-	-	-	-	-	-	21.69
Security Deposit Received	-	-	-	0.05	-	-	-	-
Security Deposit Paid	-	-	-	1.20	-	-	-	-
Balances due from	-	-	-	1.97	-	-	-	0.01
Balances due to	-	12.81	0.23	0.05	-	9.00	0.18	-

11. The Company entered into a Joint Venture Agreement during the current financial year and hence no previous year's figures has been given in respect of 'Interest in Joint Venture'.

12. Figures for the previous year have been regrouped/rearranged, wherever found necessary.

Signatures to Schedules 'A' to 'Q'

For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518
Camp: New Delhi
Dated the 30th day of April, 2010

For and on behalf of the Board

AMITAV KOTHARI Director	R. V. KANORIA Managing Director
N. K. NOLKHA Chief Financial Officer	N. K. SETHIA Company Secretary

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the 33rd Annual Report along with the Audited Statement of Accounts of the Company for the year ended 31st March 2010.

(Amount in Rs.)

FINANCIAL RESULTS	2009-2010	2008-2009
Profit for the year	24,658,019	1,512,491
Less : Provision for Income Tax	4,000,000	-
Income Tax for earlier years	86,432	219,951
Net Profit after Tax	20,571,587	1,292,540
Add : Balance as per last Account	27,621,803	28,221,536
	<u>48,193,390</u>	<u>29,514,076</u>
APPROPRIATION		
Special Reserve	4,114,317	260,000
General Reserve	2,057,159	-
Proposed Dividend	-	1,395,165
Interim Dividend	30,228,575	-
Dividend Tax	5,137,346	237,108
Balance carried forward to next year	6,655,993	27,621,803
	<u>48,193,390</u>	<u>29,514,076</u>

DIVIDEND

During the year, an interim dividend of Rs. 6.50 per Equity Shares of Rs. 10 each amounting to Rs. 30,228,575 was paid on 11th December, 2009. The Directors recommend the said dividend as Final Dividend for the year ended 31st March, 2010.

PUBLIC DEPOSIT

The Company has not accepted public deposit during the year.

DIRECTORS

Shri P.K. Ganeriwal retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

AUDITORS

Messrs Pradeep Jain & Associates, Chartered Accountants, Auditors of the Company, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

The observations of the Auditors are in the nature of general disclosures and are self-explanatory.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, the Board of Directors hereby confirm:

- That in preparation of the annual accounts, all the applicable accounting standards have been followed.
- That the Directors have selected such accounting policies 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 at the end of the financial year and of the profit of the Company for the year ended 31st March 2010.
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the Directors have prepared the annual accounts on a going concern basis.

Registered Office

'Park Plaza'
71, Park Street,
Kolkata - 700 016
26th April, 2010

M.R. Mehta
N.K. Sethia
P.K. Ganeriwal
Directors

AUDITORS' REPORT

TO THE MEMBERS OF PIPRI LTD.

We have audited the attached Balance Sheet of Pipri Ltd, as at 31st March, 2010 and the related Profit & Loss Account as well as the Cash Flow Statement of the company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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.

1. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable.
2. Further to our comments in the Annexure referred to in Paragraph 1 above, we state that :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement of the company comply with the Accounting Standards referred to in Sub-section 3C of Section 211 of the Companies Act, 1956.
 - e) On the basis of representations received from the directors of the company, we report that no director is disqualified from being appointed as a director of the company under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 and
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with Schedules A to F give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010.
 - ii. In the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date.
 - iii. In the case of Cash Flow Statement of the cash flows for the year ended on that date.

P-21/22, Radhabazar Street
Kolkata 700 001
Dated the 26th day of April, 2010

For Pradeep Jain & Associates
Firm No. 315008E
Chartered Accountants
CA. P.K. Jain
Partner
Membership No. 52018

ANNEXURE TO THE AUDITOR'S REPORT

1. As the company does not possess any fixed assets, the provisions of clause 4(i) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
2. As the company has not dealt in any trading item during the year, the provisions of clause 4(ii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
3. The Company has not granted or taken any loans, secured or unsecured to/from companies, firm or other parties covered in the register maintained u/s 301 of the Companies Act, 1956. Sub clauses (b), (c), (d), (f) and (g) are not applicable.
4. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business. During the course of our audit, no major weakness was noticed in the internal control system.
5. a) According to the information and explanations given to us, contracts or arrangements that need to be entered into the register maintained in pursuance of section 301 of the Companies Act, 1956 have been so entered.
b) As per information and explanations, no transactions have been made in pursuance of such contracts or arrangements.
6. The company has not accepted any deposits from the public during the year.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. As per information and explanation, the company is not required to maintain cost records and as such the provisions of clause 4(viii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
9. a) According to the information and explanations given to us and the records examined by us, the Company is regular in depositing undisputed statutory dues including Income Tax and other statutory dues with the appropriate authorities and there are no undisputed statutory dues outstanding as at 31st March, 2010, for a period of more than six months from the date they became payable.
b) According to the records of the Company, there are no disputed dues pending at any forum.
10. The Company has not incurred cash loss in the current year and in the immediately preceding financial year and there are no accumulated losses in the balance sheet as on 31st March, 2010.
11. Based on the information and explanations given to us, the Company has not taken any loans and hence the provisions of clause 4(xi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
12. Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. As the Company is not a chit fund, nidhi, mutual benefit fund or society the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. As the Company is not dealing or trading in shares, securities, debentures and other investments, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. According to the information and explanations received, the Company has not given any guarantees for loans taken by others from bank or financial institutions.
16. According to the information and explanations received, the company has not taken any term loans and hence the provisions of clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
17. Based on our examination of the records and according to the information and explanations received, the Company has not taken any short term borrowings and hence the provisions of clause 4(xvii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
18. The Company has not made any preferential allotment of shares during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by way of public issue during the year.
21. As per the information and explanation given to us, no fraud on or by the Company has been noticed during the year.

BALANCE SHEET**AS AT 31ST MARCH 2010**

	Schedule	31.3.2010 Rs.	31.3.2009 Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	46,505,500	46,505,500
Reserves & Surplus	B	<u>28,644,355</u>	<u>43,438,689</u>
		<u>75,149,855</u>	<u>89,944,189</u>
APPLICATION OF FUNDS			
Investments	C	72,102,932	90,328,215
Current Assets, Loans & Advances	D		
Cash & Bank Balances		2,404,087	200,565
Loans & Advances		<u>784,140</u>	<u>1,099,031</u>
		<u>3,188,227</u>	<u>1,299,596</u>
Less :			
Current Liabilities & Provisions	E		
Liabilities		141,304	51,349
Provisions		-	1,632,273
		<u>141,304</u>	<u>1,683,622</u>
Net Current Assets		<u>3,046,923</u>	<u>(384,026)</u>
		<u>75,149,855</u>	<u>89,944,189</u>
Significant Accounting Policies & Notes on Accounts	F		

As per our report annexed.
For Pradeep Jain & Associates

CA. P.K. Jain
Partner
Chartered Accountants
P-21/22, Radhabazar Street,
Kolkata-700 001
26th day of April, 2010

B. Pramanik
Company Secretary

M.R. Mehta
N.K. Sethia
P.K. Ganeriwal
Directors

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 2010

	2009-2010 Rs.	2008-2009 Rs.
INCOME		
Dividend	1,601,421	2,390,792
Interest on Debentures	26,250	26,250
Profit on Sale of Investments (Net) :		
On Long Term Investments	23,295,663	-
On Current Investments	326,839	-
	23,622,502	-
Profit on Derivatives	-	24,905
Fall in Value of Current Investments written back	77,199	-
	<u>25,327,372</u>	<u>2,441,947</u>
EXPENDITURE		
Loss on Sale of Investments (Net) :		
On Long Term Investments	-	360,346
On Current Investments	-	(86,522)
	-	273,824
Loss on Derivatives	24,259	-
Salary	84,000	32,500
Rates & Taxes	4,350	4,350
Filing Fees	3,500	3,500
Miscellaneous Expenses	23,440	19,685
Legal & Professional Charges	328,099	432,077
Auditors' Remuneration :		
Audit Fees	44,120	38,605
For Certificates	3,508	7,500
	47,628	46,105
Directors' Fees	7,500	6,000
Securities Transaction Tax	137,928	34,216
Unrealised Debts and Claims written off	8,649	-
Fall in Value of Current Investments	-	77,199
	<u>669,353</u>	<u>929,456</u>
Profit before Tax	<u>24,658,019</u>	<u>1,512,491</u>
Less : Provision for Income Tax	4,000,000	-
Income Tax for earlier years	86,432	219,951
Net Profit after Tax	<u>20,571,587</u>	<u>1,292,540</u>
Balance as per Last Account	<u>27,621,803</u>	<u>28,221,536</u>
	<u>48,193,390</u>	<u>29,514,076</u>
APPROPRIATIONS		
Transfer to Special Reserve	4,114,317	260,000
Transfer to General Reserve	2,057,159	-
Proposed Dividend	-	1,395,165
Interim Dividend	30,228,575	-
Dividend Tax	5,137,346	237,108
Balance carried to Balance Sheet	6,655,993	27,621,803
	<u>48,193,390</u>	<u>29,514,076</u>
Number of Equity Shares	4,650,550	4,650,550
Basic and Diluted earnings per Share (Rs.)	4.42	0.28

Significant Accounting Policies & Notes on Accounts

Schedule "F"

As per our report annexed.
For Pradeep Jain & Associates

CA. P.K. Jain
Partner
Chartered Accountants
P-21/22, Radhabazar Street,
Kolkata-700 001.
26th day of April, 2010

B. Pramanik
Company Secretary

M.R. Mehta
N.K. Sethia
P.K. Ganerwal
Directors

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2010

	2009-2010 Rs.	2008-2009 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Income Tax	24,658,019	1,512,491
Adjustments for :		
(Profit)/Loss on Sale of Investments (Net)	(23,622,502)	273,824
(Profit)/Loss on Derivative	24,259	(24,905)
Fall in Value of Current Investments	(77,199)	77,199
Interest Income	(26,250)	(26,250)
Dividend Income	(1,601,421)	(2,390,792)
Operating Profit before Working Capital changes	(645,094)	(578,433)
Adjustments for :		
Trade and Other Receivables	314,891	(261,151)
Trade Payables	3,523	(83,926)
Cash generated from Operations	(326,680)	(923,510)
Income Tax Paid/Received	(4,000,000)	(370,673)
NET CASH FROM OPERATING ACTIVITIES	<u>(4,326,680)</u>	<u>(1,294,183)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Investments	(31,457,273)	(18,541,474)
Sale of Investments	73,357,998	18,963,027
Interest received	26,250	26,250
Dividend received	1,601,421	2,422,219
NET CASH USED IN INVESTING ACTIVITIES	<u>43,528,396</u>	<u>2,870,022</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Dividend Paid	(36,998,194)	(1,632,273)
NET CASH USED IN FINANCING ACTIVITIES	<u>(36,998,194)</u>	<u>(1,632,273)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,203,522	(56,434)
CASH AND CASH EQUIVALENTS - AS AT 01.04.2009	200,565	256,999
CASH AND CASH EQUIVALENTS - AS AT 31.03.2010	2,404,087	200,565

Note :

Above statement has been prepared under indirect method except in case of interest, dividend and taxes which have been considered on the basis of actual movement of cash with corresponding adjustments in assets and liabilities.

For Pradeep Jain & Associates

C.A P.K. Jain

Partner

Chartered Accountants

P-21/22, Radhabazar Street,

Kolkata-700 001.

26th day of April, 2010

B. Pramanik
Company Secretary

M.R. Mehta

N.K. Sethia

P.K. Ganeriwal

Directors

SCHEDULES TO THE ACCOUNTS

	31.3.2010 Rs.	31.3.2009 Rs.
SCHEDULE "A"		
SHARE CAPITAL		
AUTHORISED		
5000000 Equity Shares of Rs 10 each	50,000,000	50,000,000
	<u>50,000,000</u>	<u>50,000,000</u>
ISSUED, SUBSCRIBED AND PAID UP		
4650550 Equity Shares of Rs. 10 each fully paid up held by its holding company Kanoria Chemicals & Industries Limited including 459 Shares jointly held with others.	46,505,500	46,505,500
	<u>46,505,500</u>	<u>46,505,500</u>
SCHEDULE "B"		
RESERVES & SURPLUS		
SPECIAL RESERVE		
As per last Balance Sheet	12,797,886	12,537,886
Add : Transfer from Profit & Loss Account	4,114,317	260,000
	<u>16,912,203</u>	<u>12,797,886</u>
GENERAL RESERVE		
As per last Balance Sheet	3,019,000	3,019,000
Add : Transfer from Profit & Loss Account	2,057,159	-
	<u>5,076,159</u>	<u>3,019,000</u>
PROFIT & LOSS ACCOUNT		
As per annexed Account	6,655,993	27,621,803
	<u>28,644,355</u>	<u>43,438,689</u>

SCHEDULE "C"

INVESTMENTS

No. of Shares/Deb/Units		Face value per Share/Debtenture/ Unit (Rs.)		
A. Long Term				
i) In Quoted Equity Shares				
1. With Self				
28000 (-)	NMDC Limited	1	8,400,000	-
50000 (50000)	Vardhan Limited	10	22,128,683	22,128,683
- (1500)	Reliance Industries Limited	10	-	585,591
- (100)	Larsen & Toubro Limited	2	-	-
- (53838)	Exide Industries Limited	1	-	985,963
4800 (59800)	Orient Paper & Industries Limited	1	122,509	1,526,254
5000 (7500)	Tata Coffee Limited	10	1,610,534	2,415,801
- (2123)	IDFC Limited	10	-	72,182
33000 (33000)	Indian Hotels Company Limited	1	2,998,122	2,998,122
- (2000)	Grasim Industries Limited	10	-	2,255,178
850 (850)	Suzlon Energy Limited	2	86,700	86,700
7480 (3740)	Indian Oil Corporation Limited	10	1,864,049	1,864,049
- (12500)	Fresenius Kabi Oncology Limited	1	-	609,406
4828 (5000)	Blue Dart Express Limited	10	3,043,415	3,151,838
1500 (1500)	Reliance Natural Resources Limited	5	7,882	7,882
1500 (1500)	Reliance Communications Limited	5	435,811	435,811
- (112)	Reliance Infrastructure Limited	10	-	82,208
- (75)	Reliance Capital Limited	10	-	14,640
519 (519)	Hindustan Petroleum Corporation Limited	10	191,735	191,735
- (718)	Oil & Natural Gas Corporation Limited	10	-	424,491
5803 (6013)	Allsec Technologies Limited	10	1,569,000	1,625,779
			<u>42,458,440</u>	<u>41,462,313</u>

SCHEDULES TO THE ACCOUNTS

		31.3.2010	31.3.2009		
		Rs.	Rs.		
SCHEDULE "C" (Contd.)					
INVESTMENTS					
	Face value				
	per Share/Debenture/				
	Unit (Rs.)				
No. of Shares/Deb/Units					
A. Long Term					
I) In Quoted Equity Shares					
2. With Reliance Capital Asset Management Company Limited					
-	(5329)	Amara Raja Batteries Limited	10	-	609,985
-	(720)	Aventis Pharma Limited	10	-	505,008
-	(870)	Ciba India Limited	10	-	214,702
-	(870)	Bharti Airtel Limited	10	-	781,399
-	(466)	Bharat Electronics Limited	10	-	536,972
-	(785)	Fulford (India) Limited	10	-	393,031
-	(593)	HDFC Bank Limited	10	-	570,226
-	(196)	Housing Development Finance Corporation Ltd.	10	-	474,731
-	(1201)	Hindustan Petroleum Corporation Limited	10	-	310,573
-	(1266)	Hikal Limited	10	-	528,280
-	(233)	Hitachi Home and Life Solutions Limited	10	-	33,750
-	(1280)	ITC Limited	1	-	218,931
-	(315)	Monsanto India Limited	10	-	487,895
-	(255)	Mphasis Limited	10	-	42,952
-	(1244)	Numeric Power Systems Limited	10	-	747,824
-	(409)	Ratnamani Metals And Tubes Limited	10	-	54,096
-	(427)	Reliance Industries Limited	10	-	533,492
-	(2246)	SKF India Limited	10	-	692,015
-	(2599)	Unichem Laboratories Limited	5	-	478,008
				-	8,213,870
3. With Prudential ICICI Asset Management Company Limited					
-	(460)	ABG Shipyard Limited	10	-	114,506
-	(317)	Adani Enterprises Limited	1	-	81,971
-	(1496)	Adhunik Metaliks Limited	10	-	224,788
-	(249)	Axis Bank Limited	10	-	106,142
-	(42)	Bajaj Auto Limited	10	-	13,896
598	(-)	Balrampur Chini Mills Limited	1	83,704	-
172	(-)	BEML Limited	10	192,986	-
55	(96)	Bharat Heavy Electricals Limited	10	-	5,883
-	(376)	Bharti Airtel Limited	10	-	238,800
829	(-)	Ceat Limited	10	122,380	-
374	(-)	Century Textiles & Industries Limited	10	189,488	-
605	(-)	Cipla Limited	2	180,211	-
1,614	(-)	Dena Bank	10	134,992	-
358	(-)	DLF Limited	2	116,768	-
-	(499)	Dishman Pharmaceuticals & Chemicals Limited	2	-	145,926
-	(622)	Federal Bank Limited	10	-	94,872
80	(-)	Hero Honda Motors Limited	2	130,263	-
361	(-)	Housing Development and Infrastructure Ltd	10	85,907	-
468	(-)	Hindustan Petroleum Corporation Limited	10	150,344	-
346	(347)	ICICI Bank Limited	10	196,824	143,706
671	(-)	Infinite Computer Solutions (India) Limited	10	129,243	-
-	(136)	ICRA Limited	10	-	57,672
-	(443)	Indage Vintners Limited	10	-	178,740
-	(46)	Infosys Technologies Limited	5	-	79,752
-	(796)	Indraprastha Gas Limited	10	-	86,946
836	(584)	ITC Limited	1	161,244	99,631
-	(484)	IVRCL Infra & Projects Limited	2	-	71,171
1,238	(-)	Jyoti Structure Limited	2	213,194	-
-	(286)	Jammu And Kashmir Bank Limited	10	-	144,856
-	(1173)	KRBL Limited	10	-	194,871

SCHEDULES TO THE ACCOUNTS

	31.3.2010	31.3.2009
	Rs.	Rs.

SCHEDULE "C" (Contd.) INVESTMENTS

No. of Shares/Deb/Units		Face value per Share/Debenture/ Unit (Rs.)		
A. Long Term				
I) In Quoted Equity Shares				
59	(182)	Larsen & Toubro Limited	2	-
122	(-)	Lupin Limited	10	166,197
95	(-)	Maruti Suzuki India Limited	5	133,310
275	(-)	Mphasis Limited	10	193,163
-	(1074)	NIIT Technologies Limited	10	-
640	(-)	Phoenix Mills Limited	2	137,798
993	(206)	PSL Limited	10	115,867
-	(224)	Punjab National Bank	10	-
-	(1024)	PTC India Limited	10	-
-	(683)	Reliance Communications Limited	5	-
212	(173)	Reliance Industries Limited	10	188,664
176	(-)	Reliance Infrastructure Limited	10	217,041
165	(-)	Sterlite Industries (India) Limited	2	127,151
710	(-)	Shree Renuka Sugars Limited	1	74,138
407	(-)	Shriram Transport Finance Company Ltd	10	138,608
825	(-)	South India Bank	10	138,838
3623	(-)	SpiceJet Limited	10	139,703
-	(983)	Rural Electrification Corpn Limited	10	-
-	(239)	Sadbhav Engineering Limited	10	-
82	(172)	State Bank Of India	10	192,837
-	(75)	Sun Pharma Ind Limited	5	-
-	(448)	Tata Chemicals Limited	10	-
-	(263)	Tech Mahindra Limited	10	-
135	(96)	Tata Power Company Limited	10	119,405
191	(-)	Tata Motors Limited	10	90,882
248	(-)	Tata Consultancy Services Limited	1	176,158
2701	(-)	TVS Motor Company Limited	1	159,629
309	(-)	Tata Motors Limited-DVR	10	125,352
1144	(-)	Voltas Limited	1	212,065
-	(54)	TRF Limited	10	-
-	(421)	Tanla Solutions Limited	2	-
				4,934,354
				47,392,794
II) In Quoted Debentures (at Cost)				
7% Partly Convertible Debentures				
With Self				
2500	(2500)	Tata Coffee Limited	150	375,000
				375,000
III) In Unquoted Equity Shares				
175676	(-)	Minerva Flavours & Fragrance Private Limited	10	1,756,760
				1,756,760
IV) In Unquoted Preference Shares				
5% Non-Convertible Cumulative Redeemable Preference Shares				
-	(25000)	Vardhan Finvest Limited	100	-
				3,935,658
				3,935,658
V) In Mutual Funds (Un-Quoted)				
1. With Self				
-	(567773)	Reliance Equity Fund-Dividend	10	-
-	(97800)	IDFC Classic Equity Fund Dividend	10	-
-	(100000)	Franklin India Flexi Cap Fund Growth	10	-
-	(82670)	ING Core Equity Fund Dividend	10	-
-	(48900)	HSBC Mutual Fund-Advantage India Fund-Dividend	10	-
-	(464058)	Sudaram BNP Paribas India-Rural India Fund-Dividend	10	-
				5,677,725
				1,000,000
				1,000,000
				1,500,000
				500,000
				5,000,000

SCHEDULES TO THE ACCOUNTS

			31.3.2010	31.3.2009
			Rs.	Rs
SCHEDULE "C" (Contd.)				
INVESTMENTS				
No. of Shares/Deb/Units		Face value per Share/Debenture/ Unit (Rs.)		
-	(244379)	Templeton India-Equity Income- Dividend-Payout	10	-
-	(244499)	Fidelity India-Special Situations-Dividend-Payout	10	-
195599	(-)	Reliance Infrastructure Fund-Retail-Growth	10	-
			<u>2,000,000</u>	<u>-</u>
			<u>2,000,000</u>	<u>19,677,725</u>
2. With Reliance Capital Asset Management Company Limited				
-	(29381)	Reliance Liquid Fund-Weekly Dividend	10	-
			<u>-</u>	<u>449,840</u>
			<u>-</u>	<u>449,840</u>
3. With Prudential ICICI Asset Management Company Limited				
4230	(20603)	Prudential ICICI Liquid Super - Growth	10	573,658
3275	(99542)	Prudential ICICI Liquid Plan-Weekly Dividend	10	327,710
50000	(43500)	ICICI Venture India Advantage Fund III	100	5,000,000
			<u>5,901,368</u>	<u>5,611,634</u>
			<u>7,901,368</u>	<u>25,739,199</u>
B. Current				
In Mutual Funds (Un-Quoted)				
1. With Self				
23676	(23676)	Reliance Mutual Fund-Liquid Fund-Treasury Plan	10	500,000
11524	(-)	Reliance Money Manager Fund- Retail Option-Growth	1000	14,177,010
-	(5733)	Reliance Money Manager Fund- Quarterly Dividend Plan	1000	-
			<u>14,677,010</u>	<u>5,950,000</u>
			<u>14,677,010</u>	<u>6,450,000</u>
Less : Diminution in Book Value			<u>-</u>	<u>77,199</u>
			<u>14,677,010</u>	<u>6,372,801</u>
			<u>72,102,932</u>	<u>90,328,215</u>
Book Value of Quoted Securities			<u>47,767,794</u>	<u>54,280,557</u>
Market Value of Quoted Securities			<u>26,714,282</u>	<u>26,852,624</u>

SCHEDULES TO THE ACCOUNTS

	31.3.2010 Rs.	31.3.2009 Rs.
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SCHEDULE "D" CURRENT ASSETS, LOANS AND ADVANCES

CASH AND BANK BALANCES

Cash-in-hand (including Share Transfer Stamps) (as certified)	8,420	7,870
Payorder/Cheques in hand	2,432	2,432
Balance with Scheduled Banks in Current Accounts	2,393,235	190,263
	<u>2,404,087</u>	<u>200,565</u>

LOANS & ADVANCES (Unsecured, Considered Good)

Advances (Recoverable in cash or in kind or value to be received and/or pending adjustments)		
Prudential ICICI Asset Management Company Limited	209,625	211,285
Reliance Capital Asset Management Limited	165	304,747
Other Advances	5,000	5,000
Dividend Receivable	1,285	1,285
Interest Receivable	567,935	567,935
Other Receivable	130	8,779
	<u>784,140</u>	<u>1,099,031</u>
	<u>3,188,227</u>	<u>1,299,596</u>

SCHEDULE "E" CURRENT LIABILITIES & PROVISIONS

CURRENT LIABILITIES

Liability for Expenses	39,708	34,629
Tax Deducted at Source payable	9,525	11,081
Income Tax Payments and Tax Deducted at Source Less Provision	92,071	5,639
	<u>141,304</u>	<u>51,349</u>

PROVISIONS

For Proposed Dividend	-	1,395,165
For Dividend Tax	-	237,108
	<u>-</u>	<u>1,632,273</u>
	<u>141,304</u>	<u>1,683,622</u>

SCHEDULE "F" SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES :

1. Income & Expenses:

The Company maintains its accounts on accrual basis in accordance with generally accepted accounting principles.

2. Investments:

- a) Long term investments are valued at cost. Provision for diminution in value of investments is made only when there is a permanent fall in value of investments.
- b) Current investments in Mutual Funds are carried at lower of cost and fair value, the fair value being taken at market values.

SCHEDULES TO THE ACCOUNTS

SCHEDULE "F" (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

B. NOTES ON ACCOUNTS

1. Previous year's figures have been regrouped and/or recast, wherever found necessary.
2. The company is a NBFC (Non Banking Financial Company) duly registered with Reserve Bank of India.
3. There are no dues to small and micro enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.
4. Related Party Disclosures :

Nature of Transaction	Amount (Rs.)	Name of Party	Nature of Relationship
(a) Dividend payment	30,228,575 (1,395,165)	Kanoria Chemicals & Industries Limited	Holding Company
(b) Investments made	1,756,760 (-)	Minerva Flavours & Fragrance (P) Limited	A company in which the Holding Company has joint venture.

5. Earnings Per Share :

	2009-2010	2008-2009
Net Profit available for Equity Shareholders (Rs.)	20,571,587	1,292,540
Number of Equity Shares	4,650,550	4,650,550
Earnings Per Share of Face Value Rs. 10 each (Rs.)	4.42	0.28

6. The company has not created any Deferred Tax Asset or liability as required by AS - 22 of ICAI, as there are no timing difference which are reasonably certain to be reversed in future.

7. Information pursuant to Part IV of Schedule VI of the Companies Act, 1956 :

I. Registration Details

Registration No.	U67120WB1977PLC031082	State Code No.	21
Balance Sheet Date	31.03.2010		

II. Capital Raised during the year : (Rs. in thousand)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds : (Rs. in thousand)

Total Liabilities	75,150	Total Assets	75,150
Sources of Funds		Application of Funds	
Paid up Capital	46,506	Net Fixed Assets	NIL
Reserve & Surplus	28,644	Investments	72,103
Secured Loans	NIL	Net Current Assets	3,047
Unsecured Loans	NIL	Misc. Expenditure	NIL

IV. Performance of Company : (Rs. in thousand)

Turnover/Other Income	25,327
Total Expenditure	669
Profit before Tax	24,658
Profit after Tax	20,572
Earning per Share (Rs.)	4.42
Dividend Rate	65%

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

SCHEDULES TO THE ACCOUNTS

SCHEDULE "F" (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

B. NOTES ON ACCOUNTS (Contd.)

8. Disclosure in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, for the financial year ended 31st March, 2010 :

Particulars	(Rs. in lakh)	
Liabilities side :		
(1) Loans and Advances availed by the NBFCs inclusive of interest accrued thereon but not paid :	Amount Outstanding	Amount Overdue
(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)	-	-
Assets Side		
	Amount Outstanding	
(2) Break-up of Loans and Advances including Bill receivables (other than those included in (3) below:		
(a) Secured		-
(b) Unsecured		-
(3) Break-up of Leased Assets and Stock on hire and other assets counting towards AFC activities		
(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:		
Current 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		146.77
(iv) Government Securities		-
(v) Others (please specify)		-

SCHEDULES TO THE ACCOUNTS

SCHEDULE "F" (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

(Rs. in lakh)

Long Term Investments :

1. Quoted :	
(i) Shares	473.93
(a) Equity	
(b) Preference	-
(ii) Debentures and Bonds	3.75
(iii) Units of Mutual Funds	-
(iv) Government Securities	-
(v) Others (please specify)	-
2. Unquoted :	
(i) Shares	
(a) Equity	17.57
(b) Preference	-
(ii) Debentures and Bonds	
(iii) Units of Mutual Funds	79.01
(iv) Government Securities	-
(v) Others (please specify)	-

5. Borrower group-wise classification of assets financed as in (2) and (3) above :

Category	Amount (net of provisions)		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) Other related parties	-	-	-
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):

Category	Market Value/ Break-up or Fair Value or NAV	Book Value (net of provisions)
1. Related Parties		
(a) Subsidiaries	-	-
(b) Companies in the same group	-	-
(c) Other related parties [®]	17.18	17.57
2. Other than related parties	493.72	703.46
Total	510.90	721.03

(7) Other Information :

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related Parties	-
(b) Other than related parties	-
(ii) (a) Related Parties	-
(b) Other than related parties	-
(iii) Assets acquired in satisfaction of debts	-

[®] Break-up value for share has been arrived as per Audited Balance Sheet as on 31st December, 2009.

Signatures to Schedules "A" to "F"

For Pradeep Jain & Associates

C.A P.K. Jain

Partner

Chartered Accountants

P-21/22, Radhabazar Street,

Kolkata-700 001.

26th day of April, 2010

B. Pramanik
Company Secretary

M.R. Mehta

N.K. Sethia

P.K. Ganerwal

Directors