



# Chemfab Alkalis Limited

## **DIRECTORS**

Shri Suresh Krishnamurthi Rao	Chairman
Shri C.S. Ramesh	Director
Shri T. Ramabadrans	Independent Director
Shri J. Venkataraman	Independent Director
Shri N. Ganga Ram	Independent Director

## **VICE PRESIDENT – FINANCE**

Shri Nitin. S. Cowlagi

## **COMPANY SECRETARY**

Shri S.C. Sai Narayanan	Company Secretary
Shri K. Mohamed Ibrahim	Dy. Company Secretary

## **AUDITORS**

M/s Deloitte Haskins & Sells  
ASV N Ramana Tower,  
# 52, Venkatanarayana Road,  
T. Nagar, Chennai - 600 017

## **BANKER TO THE COMPANY**

State Bank of India,  
Industrial Finance Branch,  
Anna Salai, Chennai - 600 002

## **REGISTERED OFFICE**

"TEAM House", GST Salai, Vandalur, Chennai - 600 048  
Phone : +91-44-22750323/24, Fax : +91-44-22750860  
Email : [chemfabalkalis@drroaholdings.com](mailto:chemfabalkalis@drroaholdings.com)  
Website: [www.chemfabalkalis.com](http://www.chemfabalkalis.com)

## **FACTORY**

Chlor-Alkali Division  
'Gnanananda Place', Kalapet, Puducherry - 605 014  
Phone : +91-413-2655111, Fax : +91-413-2655125  
Email : [chemfabalkalis@drroaholdings.com](mailto:chemfabalkalis@drroaholdings.com)  
Website: [www.chemfabalkalis.com](http://www.chemfabalkalis.com)

## **SALT DIVISION**

Kanthadu Village, Tindivanam Taluk, Villupuram District

## **MARKETING OFFICE**

1<sup>st</sup> Floor, Majestic Towers, Old No.1-A, New No.101,  
HD Raja Street, Eldams Road, Chennai - 600 018  
Phone : +91-44-42031444, Fax : +91-44-24347959  
Email : [chemfabmktg@drroaholdings.com](mailto:chemfabmktg@drroaholdings.com)  
Website: [www.chemfabalkalis.com](http://www.chemfabalkalis.com)

## **Dr. RAO HOLDINGS PTE LTD.**

# 31, Cantonment Road, Singapore - 089 747  
Email : [chkr@drroaholdings.com](mailto:chkr@drroaholdings.com)





## CHAIRMAN'S STATEMENT – 2012 - 13

### *Dear Shareholders,*

I am glad to welcome you to the 30<sup>th</sup> Annual General Meeting of your Company. At the outset, I thank you for your continued trust, encouragement and support. This is the second AGM being held in the absence of our beloved Founder Chairman, Dr. C. H. Krishnamurthi Rao. I would like to affirm that your Company is committed to follow the ideals enshrined by him and he continues to guide us as a beacon of light in all our endeavors.

It gives me immense pleasure to address you after yet another year of successful operation of your plant. A successful year if I may add, despite a tough external environment as alongside the successful performance, your Company also experienced unprecedented challenges. The relentless focus and dedicated teamwork by our CALmates ensured that we navigated these difficult times successfully.

### COMPANY PERFORMANCE

I am sure, all of you are aware that the performance of any Chlor-Alkali industry is dependent upon the following key factors,

- a. Consistent power supply
- b. Reasonable power tariff
- c. Good domestic market

I am glad to inform you that your Company has performed reasonably well during this financial year following the consistency in the grid power supply from the Puducherry Electricity Department (PED), Government of Puducherry, especially during the second half of the year, thanks to the diligent efforts of the PED and your Company.

Moreover with the strong market trend that prevailed during the year, your Company could sustain a very good realisation from the domestic market throughout the year.

The relief, by way of Power Factor Incentive, had partly offset the burden on the annual increase in power tariff along with additional quarterly burden of power-purchase adjustment cost.

Further, with the Salt Division also achieving higher production during the year, the dependence on outside salt at a higher cost, was much less during the year, resulting in considerable reduced material cost.

### RESULTS

All the above, have resulted in an all-time high PBT of Rs.34.83 Crores and PAT of Rs.23.48 Crores.

### UPGRADATION

Identifying the need for upgrading the technology and modernisation of plant operations, your Company has taken pro-active steps to replace the existing CEC mono-polar electrolysers, which are operating for well over 25 years, with the latest CEC's bi-polar BiTAC® technology along with complete electrical installations, other critical equipment and accessories.

The existing Caustic-soda Concentration Plant is also due for replacement and hence your Company is going in for a state-of-the-art caustic concentration plant coupled with Flaker unit.

## **FUTURE OUTLOOK**

I look ahead with guarded optimism. Studies indicate that Companies across the world focus on innovation to resurrect growth and profit. Trends in technology, demographics, markets and regulations always provide new and exciting opportunities for innovation, strategy and growth.

In line with the above thinking, your Company, with its remarkable capabilities has set ambitious future targets to achieve, and our vision is to expand our business volume. Your Company is pursuing and scouting for investment opportunities.

As part of our strategic business plan, your Company is in the process of acquiring salt land in the deep South of Tamilnadu, to enhance salt production, in order to be self-reliant.

It was the firm belief of our beloved Founder Chairman that growth must always walk hand in hand with responsibility. Your company is committed to conserve energy and protect the environment.

As a part of green environment initiative, your Company has embarked on a Corporate sustainability plan by venturing into Carbon foot-printing, water foot-printing and energy audit.

## **MILESTONE IN SAFETY AND POLLUTION ABATEMENT**

Since the establishment of CAL in 1985 with the then latest-state-of-the-art, membrane cell technology for the manufacture of Chlor-alkali products, your Company has ventured into many areas to sustain the operations with utmost safety, commitment to conserve the natural resources and save energy.

Modern thinking, creativity and innovations are the most important factors, on which CAL has been established. In line with the above,

- a) Your Company has further improved safety systems by installing the "Fully Enclosed Negative Pressure Operated Scrubbing System" in all the critical areas of chlorine operation in order to enhance the safety in handling, thereby providing a safer work environment for its employees and also to protect the environment.
- b) Your Company's in-house R&D has developed innovative process for the manufacture of Sodium Sulphate and Soda Ash for the reduction of solid waste and the green house gases respectively which are extremely significant contributions on the environment protection front.
- c) Your Company has also completely replaced the existing Fire Hydrant System, which had pipes running under-ground with a new fully automatic system along with the hydrant pipes, above the ground level, to prevent corrosion of pipes and water leakages.

## **CHALLENGES IN THE ENSUING YEAR**

### **EXPANSION**

It is a harsh reality of these times that all businesses are forced to face some constraints or the other. I firmly believe it is better for a business to face its constraints openly and boldly and work resolutely to deal with each of them when they surface before us. It is in this spirit that we had handled the NOC for our expansion project.

Due to inordinate delay in granting the NOC for the expansion proposal, your Company was constrained to approach the National Green Tribunal for legal remedy and after hearing our well documented points, the Hon'ble forum was kind enough to issue time-bound directions to the Appellate Authority to dispose our case.

As mentioned earlier, I look forward to the future with guarded optimism and the challenges ahead must be identified and tackled systematically. To begin with, there is an urgent need for upgradation of critical equipment during the current year.

### **EB TARIFF**

We also need to monitor and control costs, especially the Raw Material and Power costs, as the Puducherry Electricity Department (PED) had recently announced a substantial increase in the power tariff to be effective from 1<sup>st</sup> April 2013. This approximately works out to 35% over and above the existing power cost. Your Company is confident that these challenges would be met with diligent care and we shall work towards a healthy bottom line for the Company.

## **DIVIDEND**

Considering all the above aspects, your Directors have felt the need to conserve the funds to address the critical areas, and hence the Interim Dividend of 100% declared during the last quarter, shall be treated as the Final Dividend for the year.

## ACKNOWLEDGEMENT

We value the importance of our relationships and will continue to remain fair and true in our dealings with all stakeholders.

Our human-capital is the biggest asset. Their commitment has enabled your Company to succeed. On your behalf and on behalf of the Board of Directors, I congratulate them on yet another year of achievements. We also place, on record, our appreciation for our clients, vendor partners, investors, bankers, the Government of India and the Government of Puducherry for their continued support.

The journey to success is possible only with qualities of foresight, strategy and preparedness. But for all these to function, trust is paramount and the core foundation of all our operations. Our inspiration comes from the trust that all you Shareholders have reposed in us, and on behalf of all my other Directors, CALmates, I personally thank all you Shareholders.

I must acknowledge the dedicated work put in by CALmates, at all levels for their whole-hearted efforts and support.

On this occasion, CAL pledges to continue in the path and ideals set by our beloved Founder Chairman and achieve all his cherished dreams and steer the Company to greater heights with many more achievements and laurels in the years to come.

Thank you

Place : Chennai

Date : 11<sup>th</sup> April 2013

Suresh Krishnamurthi Rao  
Chairman







# Chemfab Alkalis Limited

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## **CHEMFAB ALKALIS LIMITED**

(Regd. Office: 'Team House', GST Salai, Vandalur, Chennai - 600 048)

### **NOTICE OF THE ANNUAL GENERAL MEETING**

Notice is hereby given that the 30<sup>th</sup> Annual General Meeting of the Members of the Company will be held on Thursday, the 23<sup>rd</sup> May, 2013 at 10.00 AM at the Registered Office of the Company at 'Team House', GST Salai, Vandalur, Chennai – 600 048 to transact the following business:

#### **ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2013 and the Statement of Profit and Loss for the year ended on that date and the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in the place of Shri N. Ganga Ram, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Shri T. Ramabadran, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration, and in this regard, to consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** the retiring Auditors, M/s Deloitte Haskins & Sells (Registration No.008072S) be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed by the Board of Directors.”

By Order of the Board of Directors

Place: Chennai  
Date: 11<sup>th</sup> April, 2013

**S.C. Sai Narayanan**  
Company Secretary

#### **Notes:**

1. A member of the Company, who is entitled to attend and vote at the meeting, is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Instrument of Proxies, in order to be effective, must be received at the Company's Registered Office not less than forty-eight hours before the time fixed for holding the Annual General Meeting. A Form of Proxy is enclosed.
3. In terms of Article 33(f) of the Articles of Association of the Company, Shri N.Ganga Ram and Shri T. Ramabadran, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Brief resume of these Directors, nature of their expertise in specific functional areas and names of the Companies in which they hold directorship and membership of Board Committees as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges are given in the Report on Corporate Governance.
4. Members are requested to produce the Attendance Slip, sent along with the Annual Report, duly signed as per the specimen signature recorded with the Company for admission to the Meeting.

5. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID Nos. for easier verification of attendance at the Meeting.
6. The Register of Members and the Share Transfer Books of the Company will remain closed from 15.05.2013 to 23.05.2013 (both days inclusive).
7. Members holding shares in physical form are requested to intimate immediately, changes, if any, in their registered addresses, Bank Mandate and Status, quoting their Folio Numbers, to the Share Transfer Agents of the Company, M/s Cameo Corporate Services Limited, "Subramanian Building", No.1, Club House Road, Chennai – 600002.
8. Members holding shares in physical form, in their own interest, are advised to dematerialize the shares to avail of the benefits of electronic holding/trading.
9. Members are requested to note that any dividend which remains uncashed for a period of seven years will get transferred to Investors Education and Protection Fund in terms of Section 205C of the Companies Act, 1956.
10. Members who have not encashed their dividend warrants in respect of dividend declared for the year ended 31<sup>st</sup> March 2006 and for any financial year thereafter may contact the Company immediately for revalidation of their dividend warrants.

By Order of the Board of Directors

Place: Chennai  
Date: 11<sup>th</sup> April, 2013

**S.C. Sai Narayanan**  
Company Secretary

## DIRECTORS' REPORT

Your Directors are pleased to present Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended 31<sup>st</sup> March, 2013. The summarized financial results for the year ended 31<sup>st</sup> March, 2013, are as under: .

### FINANCIAL RESULTS

Particulars	Current Year 31-03-2013 Rs. in lakhs	Previous Year 31-03-2012 Rs. in lakhs
Profit before Interest and Depreciation	4,151	1,866
Less: Interest	0	0
Profit Before Depreciation	4,151	1,866
Less: Depreciation	668	681
Profit before Tax	3,483	1,185
Tax	1,212	792
Deferred Tax Liability	-77	-354
Net Profit after Tax	2,348	747
Balance brought forward from previous year	6,354	5,607
Balance available for appropriation	8,702	6,354
Appropriations:		
Interim Dividend paid	459	0
Dividend Tax	74	0
General Reserve	240	0
Balance to be carried forward	7,929	6,354

### OPERATIONS

During the year under review, the Company achieved normalcy in operations after the Chlorine Gas leak which had adversely affected it in the previous year. Thus, production of Caustic Soda Lye in 2012-13 was higher at 36,151 MT as against 27,661 MT during the previous year, an increase of 30.69%. Consequently, there was an increase in the volume of sales achieved to 34,695 MT, up by 32.35%, as compared to 26,214 MT in 2011-12. This, along with the overall favourable market conditions, enabled the Company to achieve an all-time high PBT of Rs.34.83 crores in the year under review.

### DIVIDEND

During the year under review, your Board of Directors had declared an interim dividend of Rs.5 per equity share (being 100 %) for the financial year 2012-13. Having regard to the substantial interim dividend paid, your Board do not recommend any final dividend for the year. The total amount of dividend paid for the year ended 31<sup>st</sup> March, 2013 amounts to Rs.4,58,58,485.

### FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings: Rs.1,68,77,880/-

Outgo : Rs.67,12,204/-

### POWER AND FUEL CONSUMPTION

Particulars	Current Year 31-03-2013	Previous Year 31-03-2012
<b>I. Electricity Purchased:</b>		
- Units	9,94,81,672	7,56,42,728
- Total Amount / Rs in Lakhs.	4,372	2,631
Rate Per Unit [Gross] Rs.	4.40	3.48
Consumption Per Tonne of Electrochemical Production		
- Kwh/Ac	2,752	2,735
<b>II. Furnace Oil</b>		
[A] Purchased:		
- Quantity [KI]	490	412
- Total Amount / Rs in Lakhs.	204	155
- Average Rate Per KI / Rs.	41,713	37,534
[B] Consumption:		
- Furnace Oil [KI]	479	418
- Amount / Rs in Lakhs.	200	154
- Amount Per KI / Rs.	41,747	36,923

### FIXED DEPOSITS

During the year under review, the Company did not raise funds by way of fixed deposits from the public and hence, no amount of principal or interest was outstanding as on the balance sheet date.

### DIRECTORS

In accordance with Sections 255 and 256 of Companies Act, 1956 and the Company's Articles of Association, the following Directors retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting:

1. Shri N. Ganga Ram
2. Shri T. Ramabadrans

### AUDITORS

The present Auditors of the Company, M/s. Deloitte Haskins & Sells, hold office until the conclusion of the ensuing Annual General Meeting and are eligible, to be reappointed. A Certificate has been received from the Auditors to the effect that their re-appointment, if made, will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for reappointment within the meaning of Section 226 of the said Act. The Directors accordingly recommend the re-appointment of M/s Deloitte Haskins & Sells as Auditors of the Company for the year 2013-14.

### COST AUDITOR

In conformity with the directives of the Central Government, the Company has appointed Shri A. Madhavan, Cost Accountant,

No: 9, Dr. Ranga Road, Mylapore, Chennai – 600 004, as the Cost Auditor under Section 233B of the Companies Act, 1956, for the audit of cost accounts in respect of the chemicals manufactured by the Company for the year ended 31<sup>st</sup> March 2013.

The Cost Audit report for the previous year ended 31<sup>st</sup> March 2012 was to be filed on or before 30<sup>th</sup> September 2012 and subsequently, the due date was extended till 28<sup>th</sup> February 2013. The Company has duly filed the Cost Audit Report for the year, before the extended due date, on 15<sup>th</sup> January 2013.

#### **PERSONNEL**

The Company has no employees, attracting the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217 [2AA] of the Companies Act, 1956, the Board of Directors hereby confirm:-

- (i) That in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) That the Directors had prepared the Annual Accounts on a going-concern basis.

#### **RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND CONSERVATION OF ENERGY**

As per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, every Company shall disclose particulars about Conservation of energy, Technological absorption etc. In compliance with the said Rule, the Company has an in-house Research Development Department, where the main areas of focus are Energy Conservation, Process Upgradation and Environmental Preservation. The Ministry of Science and Technology, Department of Scientific and Industrial Research, Government of India, has recognized the Company's in-house R & D facilities, and the Ministry's renewal permission is valid upto 31<sup>st</sup> March 2014.

The Company has a sophisticated laboratory qualified by DuPont, USA, for the analysis of Chlor-Alkali brine. Brine from the various Chlor -Alkali industries in India is being analysed at your CAL-QA Laboratory.

#### **CORPORATE GOVERNANCE**

Corporate Governance involves regulatory and market mechanisms, and the roles and relationships between a Company's management, its Board, its shareholders and other stakeholders, and the goals for which the company is governed.

Pursuant to Clause 49 of the Listing Agreement, the Company has been conscientiously following the Corporate Governance norms prescribed by the Securities and Exchange Board of India [SEBI]. The Report on the status of the Compliance of Corporate Governance Guidelines of SEBI, together with the Auditors' Certificate is attached as an Annexure to this Report.

#### **SECRETARIAL COMPLIANCE CERTIFICATE**

The Compliance Certificate issued by a Practicing Company Secretary is attached.

#### **INDUSTRIAL RELATIONS**

Industrial relations continue to remain cordial.

#### **ACKNOWLEDGEMENT**

The Directors thank all the shareholders, customers, dealers, suppliers, bankers, financial institutions and all the other business associates for their continued support to the Company and the confidence reposed in its Management. The Directors also thank the Government authorities for their understanding and co-operation. The Directors wish to record their sincere appreciation of the significant contribution made by the employees of the Company at all levels to its profitable and successful operations.

For and on behalf of the Board of Directors

Place : Chennai                      C.S.Ramesh      Suresh Krishnamurthi Rao  
Dated : 11<sup>th</sup> April, 2013      Director              Chairman

A.RAGHAVAN, B.Sc; F.C.S  
Company Secretary  
FCS No.4473  
CP No.4058

232,7<sup>th</sup> Cross Extn  
Heritage Jayendra Nagar  
Sembakkam,  
Chennai - 600 073

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Registration Number of  
the Company : 18-72409 (CIN L24297TN1983PLC072409)  
Nominal Capital : Rs.21,14,00,000  
Paid up Capital : Rs.4,58,58,485

### COMPLIANCE CERTIFICATE

To

The Members of  
Chemfab Alkalis Limited,  
Chennai – 600 048.

I have examined the Registers, Records, Books and Papers of Chemfab Alkalis Limited (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the Rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the Financial Year ended on 31<sup>st</sup> March, 2013.

In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its Officers and Agents, I certify that in respect of and during the aforesaid Financial Year:

1. The Company has kept and maintained all Registers as stated in Annexure 'A' to this Certificate, as per the provisions of the Act and the Rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the Forms and Returns as stated in Annexure 'B' to this Certificate, with the Registrar of Companies, as prescribed under the Act and the Rules made thereunder.
3. The Company, being a Public Company, has the minimum prescribed Paid-up Capital.
4. The Board of Directors duly met Five (5) times on 16.04.2012, 17.04.2012, 06.07.2012, 08.10.2012, 08.01.2013 and in respect of which Meetings, proper notices were given and the proceedings were properly recorded and signed, in the Minutes Book maintained for the purpose. The Directors did not pass any Resolution by circulation.
5. The Company closed its Register of Members from 12.05.2012 to 21.05.2012, both days inclusive and necessary compliance of Section 154 of the Act has been made.
6. The Annual General Meeting for the Financial Year ended on 31.03.2012 was held on 21.05.2012, after giving due notice to the Members of the Company and the Resolutions passed there at were duly recorded in the Minutes Book maintained for the purpose.
7. No Extraordinary General Meeting was held. However, a Postal Ballot was held for amending the Objects Clause of the Memorandum of Association during November/December, 2012, the results of which were announced on the 28<sup>th</sup> December, 2012. The Special Resolution passed through the Postal Ballot has been duly recorded in the Minutes Book maintained for the purpose.

8. The Company has not advanced any loan(s) to its Directors and/or persons or firms or companies referred to in the Section 295 of the Act.
9. The Company has not entered into any contract pursuant to the provisions of Section 297 of the Act.
10. The Company has made the necessary entries in the Register maintained under Section 301 of the Act, in respect of the transactions attracting the provisions of Section 299 of the Act.
11. The Company did not make any appointments that would attract the provisions of Section 314 of the Act.
12. The Company did not issue any duplicate Share Certificate.
13. The Company has:
  - (i) delivered all the Certificates on lodgment thereof for transfer/transmission in accordance with the provisions of the Act. There was no allotment of Shares.
  - (ii) deposited the amount of the Interim Dividend declared in a separate Bank Account with the State Bank of India on the 11<sup>th</sup> January, 2013, which was within five days from the date of declaration of such interim dividend.
  - (iii) paid/posted warrants for dividends to all the members on 04.02.2013 which is within a period of 30 (Thirty) days from the date of declaration and that all unclaimed/unpaid dividend has been transferred to Unpaid Dividend Account of the Company with the State Bank of India on 14.02.2013.
  - (iv) transferred the amounts in unpaid dividend account which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund.
  - (v) duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointment of Directors has been duly made.
15. The Company is a Board Managed Company and has no Managing Director or Whole time Director or Manager.
16. The Company has not appointed any Sole-selling Agent.
17. The Company has obtained the necessary approval from the Central Government under Section 233B of the Act, in respect of the appointment of the Cost Auditor.
18. The Directors have disclosed their interest in other firms/Companies to the Board of Directors pursuant to the provisions of the Act and the Rules made there under.
19. The Company has not issued any shares/debentures/other securities.
20. The Company has not bought back any shares.
21. The Company has not issued any Preference Shares or Debentures and hence the question of redeeming them does not arise.
22. There was no need for the Company to keep in abeyance the rights to Dividend, Rights Shares and Bonus Shares pending registration of transfer of shares.
23. The Company has not invited/accepted any Fixed Deposits under the provisions of Sections 58A read with the Companies (Acceptance of Deposits) Rules, 1975.

24. The amounts borrowed by the Company from Banks and others during the Financial Year ended 31<sup>st</sup> March, 2013, are within the borrowing limits of the Company.
25. The Company has not made any fresh Investment or given Guarantees or provided securities to other bodies corporate. The Company has given an Inter-corporate loan to another Company in compliance with the provisions of the Act and has made necessary entries in the Register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to the situation of its Registered Office from one State to another.
27. The Company has altered the provisions of the Memorandum with respect to its Objects, in compliance with the provisions of the Act.
28. The Company has not altered the provisions of the Memorandum with respect to its Name.
29. The Company has not altered the provisions of the Memorandum with respect to its Share Capital.
30. The Company has not altered its Articles of Association.
31. No prosecution has been initiated against the Company.
32. The Company has not received any security deposit from its employees that would attract the provisions of Section 417(1) of the Act.
33. Section 418 of the Act, with regard to the remittance of Provident Fund contribution, is not applicable to the Company.

Signature : Sd/-

Name of the Company Secretary : A.Raghavan

Place : Chennai

Date : 11<sup>th</sup> April, 2013.

#### **Annexure A**

##### **Registers as maintained by the Company**

1. Register of Members under Section 150 of the Act.
2. Register of Directors, etc. under Section 303 of the Act.
3. Register of Directors' Shareholdings under Section 307 of the Act.
4. Minutes Book of the Board Meetings under Section 193 of the Act.
5. Minutes Book of the General Meetings under Section 193 of the Act.
6. Register of Contracts under Section 301 of the Act.
7. Register of Charges under Section 143 of the Act.
8. Register of Investments, Loans and Guarantees under Section 372A of the Act.
9. Register of Share Transfer/Transmission.
10. Register of Duplicate Share Certificates.
11. Register of Investments not held in the name of the Company under Section 49 of the Act.

Signature : Sd/-

Name of the Company Secretary : A.Raghavan

Place : Chennai

Date : 11<sup>th</sup> April, 2013

#### **ANNEXURE - B**

Forms and Returns as filed by the Company with the Registrar of Companies during the Financial Year ended on 31<sup>st</sup> March, 2013

1. Form 66 filed on 25.05.2012 under Section 383A of the Act. No Delay
2. Annual Return made up to 21.05.2012 – Form 20B uploaded on 25.06.2012 under Section 159 of the Act. No Delay.
3. Form I – uploaded on 09.07.2012 under Section 205C of the Act
4. Form I – uploaded on 27.09.2012 under Section 205C of the Act
5. Form 61 filed on 16.11.2012 under the Postal Ballot Rules. No delay
6. Balance Sheet and Profit and Loss Account in respect of the Financial year 2011-12 - Forms 23AC XBRL and 23ACA XBRL uploaded on 15.12.2012 under Section 220 of the Act. No Delay.
7. Compliance Report from the Cost Auditor for the period 01.04.2011 to 31.03.2012- Form A XBRL filed on 15.01.2013.
8. Cost Audit Report – Uploaded through Form 1 - XBRL on 15.01.2013
9. Form 23 filed on 23.01.2013 under Section 192 of the Act. No delay
10. Form 32 filed on 15.03.2013 under Section 303 of the Act. No delay.

**Forms and Returns as filed by the Company with the Regional Director, Central Government, Company Law Board, or such other authorities during the Financial Year ended 31<sup>st</sup> March, 2013.**

- 01 Form 23C filed on 29.06.2012 under Section 233B of the Act. No Delay

Signature : Sd/-

Name of the Company Secretary : A.Raghavan

Place : Chennai

Date : 11<sup>th</sup> April, 2013.

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT CHLOR-ALKALI INDUSTRY STRUCTURE**

Chlor-Alkali is the basic Heavy Chemical Industry, manufacturing Caustic Soda, Chlorine, Hydrogen, Sodium Hypo Chlorate and Hydrochloric Acid. Financial Year 2012-13, overall has been mixed sort of year for the industry which saw the international prices peaking and subsequently correcting to normal levels. Capacity utilisation improved in the second half due to improved Chlorine utilisation levels.

### **OPPORTUNITIES AND THREATS**

During the year 2012-13, international Caustic prices peaked at USD 580/MT CIF in the first half and started correcting in the second half, finally stabilising around USD 400/MT CIF. Overall, in terms of financials, the year has been good for the industry and quite satisfactory for your Company.

Capacity increase during FY 12-13, has been marginal with overall capacity increase from 3.16 million TPA to 3.32 million TPA. Capacity utilisation of the Industry in 2012-13 improved this year to around 80%.

The additional capacities built over the last few years have been largely absorbed in the last 2 years, thus resulting in enhanced capacity utilisation. Imports of Caustic Lye into the country, this year was higher due to the time lag between drop in import prices and domestic manufacturers reacting to the same. The demand for Chlorine and Chlorine derivatives this year was better especially in the second half, thus resulting in improved realisation for Chlorine and Chlorine derivatives. On the whole, this year the ECU has been largely remunerative even after considering the increased costs of operations due to higher energy costs. The Company is working on strategies in the long term to reduce the operational costs.

### **OUTLOOK**

The demand for both Caustic and Chlorine continues to grow; however, the demand for Caustic soda is growing faster than the Chlorine demand. This continuing mismatch is a challenge for the industry and your Company is working on strategies to tie up on chlorine downstream consumption to enable grow and improve volumes in future.

### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

Your Company has well defined and adequate internal controls and procedures, commensurate with its size and nature of its operations. This is further strengthened by the Internal Audit done concurrently.

Besides, the Company has an Audit Committee, comprising Non-Executive Directors, to monitor the financial management, operations and systems.

The Company has obtained certification for ISO 14001 and OSHAS 18001 systems to take care of critical operational areas. It also utilizes the services of other professional bodies like Central Leather Research Institute (CLRI) / Tata Energy Research Institute (TERI) / National Environmental Engineering Research Institute (NEERI) and other professional bodies and consultants to continuously analyse and upgrade the operations.

## **MATERIAL DEVELOPMENT IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PERSONS EMPLOYED.**

During the year under review, the Industrial relations were cordial. The Company has given direct employment to 172 persons and indirect employment to 321.

### **CAUTIONARY STATEMENT**

The Statements made in this Report on Management Discussion and Analysis, describing the Company's views may be forward-looking statements within the meaning of the applicable security regulations and laws. These assumptions are based on certain expectations on demand, imports, availability of power rates etc. and any change in Government laws and the economic situation in the country may mark a difference to the Company's operations.

The Company assumes no responsibility in respect of the forward-looking statements herein, which may undergo changes in future for reasons beyond the control of the Company.

For and on behalf of the Board of Directors

Place : Chennai                      C.S.Ramesh    Suresh Krishnamurthi Rao  
Dated : 11<sup>th</sup> April, 2013    Director            Chairman

### **STATEMENT OF GENERAL BUSINESS PRINCIPLES**

The Company's objective is to employ efficiently, responsibly and profitably the resources at its command for furtherance of its business interests. Your company endeavors to achieve high standard of performance and aims to maintain a long term position in the competitive environment.

### **RESPONSIBILITIES**

#### **To Shareholders**

To protect shareholders' investment and ensure an acceptable and economic return.

#### **To Customers**

To add and maintain customers by developing and providing products and services which offer value in terms of price, quality, safety and environmental preservation impact fostered by requisite technological, environmental and commercial expertise.

#### **To Employees**

To provide employees with good and safe conditions of work, good and competitive terms and conditions of service, to promote the development and best use of human talent and equal opportunity employment, and to encourage the involvement of employees in the planning and direction of their work and in the application of these principles within the Company. It is recognized that commercial success depends on the full commitment of all employees.

#### **In Business**

To seek mutually beneficial relationships with contractors, suppliers and to promote the application of these principles in so doing. The ability to promote these principles will be an important factor in the decision to enter into or remain in such relationship.

#### **To Society**

To conduct business as responsible corporate members of society, to observe the law of the country, to give proper regard to health, safety and the environment consistent with the commitments of the Company.

The above areas of responsibility are seen as inseparable.

### **ECONOMIC PRINCIPLES**

Profitability is essential to discharging these responsibilities and staying in business. It is a measure both of efficiency and the value that customers place on your company's products and services. Profit is very essential to augment corporate resources and to support investments required for growth.

Criteria for investment decisions are not exclusively economic in nature but also take into account social and environmental considerations and a critical evaluation of the investment and the return on the same.

### **BUSINESS INTEGRITY**

Your company believes and adheres to honesty, integrity and fairness in all aspects of its business and expects the same in their relationship with all those with whom they do business.

### **HEALTH, SAFETY AND THE ENVIRONMENT**

Consistent with commitment for environment friendly business, your company will give utmost priority to health, safety and environmental management in order to achieve continuous performance improvement.

### **COMPETITION**

Your Company seeks to compete fairly and ethically and within the framework of applicable competition laws.

For and on behalf of the Board of Directors

Place : Chennai                      C.S.Ramesh    Suresh Krishnamurthi Rao

Dated : 11<sup>th</sup> April, 2013    Director                      Chairman

## REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is about commitment to values and about ethical business conduct. It is about how an organization is managed. This includes its corporate and other structure, its culture, policies and the manner in which it deals with various stakeholders. Accordingly, timely and accurate disclosure of information regarding the financial performance, ownership and material development affecting the Company, is an integral part of Corporate Governance. Adoption of good Corporate Governance practices helps to develop a good image of the organization, attracts best talents and keeps stakeholders satisfied.

Your Company has been practicing the principles of good Corporate Governance over the years and has been upholding fair and ethical business and corporate practices and transparency in its dealings, laying emphasis on scrupulous regulatory compliances.

### 2. BOARD OF DIRECTORS

The Company's Board consists of five members, all of whom are Non-Executive Directors.

The Company is Board-managed and hence, it has no Managing Director, Whole- Time Director, Manager as defined in the Companies Act, 1956.

The composition of the Board as on 31<sup>st</sup> March 2013, attendance at Board meetings held during the financial year under review and at the last Annual General Meeting and number of Directorships and Memberships/Chairmanships in public companies held by Directors as on 31<sup>st</sup> March 2013 (including the Company) are given below :

#### A. Information on Board of Directors and Attendance

Sl No.	Name of Director	Category of Directorship	No. of Board Meeting		No. of Other Directorship *	No. of other Committee		Attendance of last AGM
			Held	Attended		Member	Chairman	
1.	Shri Suresh Krishnamurthi Rao	Non Executive Chairman Promoter	5	5	1	0	0	YES
2.	Shri C.S. Ramesh	Non Executive	5	4	0	0	0	YES
3.	Shri T. Ramabdran	Non Executive Independent	5	5	1	0	0	YES
4.	Shri J. Venkataraman	Non Executive Independent	5	0	1	0	0	NO
5.	Shri N. Ganga Ram	Non Executive Independent	5	5	4	2	1	NO

\* The Directorship held by Directors as mentioned above, does not include Alternate Directorships and Directorships of Foreign Companies.

**B. Number of Board Meetings held during the year along with the dates of the Meetings:**

During the financial year 2012-2013, five meetings of the Board of Directors were held on:

Sl No.	Date of Meeting
1.	16 Apr 2012
2.	17 Apr 2012
3.	06 Jul 2012
4.	08 Oct 2012
5.	08 Jan 2013

**C. Disclosures regarding Director's Reappointment**

At the ensuing Annual General Meeting, Shri N. Ganga Ram and Shri T. Ramabadran, both retire by rotation and are eligible for re-election. Brief particulars of these Directors are as given below:

(I) Shri N. Ganga Ram, aged 78 years, holds M.A. (Economics) Degree from the University of Madras. He is also C.A.I.I.B. (Certified Associate of the Indian Institute of Bankers) and F.E.D.I. (Fellow of Economic Development Institute, World Bank, Washington). He joined Reserve Bank of India in December 1965, as Industrial Finance Officer and was deputed to Industrial Development Bank of India (IDBI) where he rose to higher positions.

He did project appraisal and post-sanction supervision of Industrial Projects. After 27 years of service, he retired from IDBI in the year 1992 as Executive Director.

Shri N. Ganga Ram worked as consultant to World Bank and Asian Development Bank. Post-retirement, Shri N. Ganga Ram served as an Arbitrator for National Stock Exchange of India Ltd. (NSE), Advisor (Investment) to Unit Trust of India (UTI) and Corporate Advisor to ICRA.

Shri N. Ganga Ram holds Directorship in the following Companies :

<u>Company Name</u>	<u>Category</u>
➤ Positive Packaging Industries Limited	Director
➤ Juniper Hotels Private Limited	Director
➤ Sundaram BNP Paribas Home Finance Limited	Director
➤ Thejo Engineering Limited	Director

Shri N. Ganga Ram is member of four committees of National Stock Exchange of India Ltd.

He is also member of following Committees in your Company :

- (i) Audit Committee.
- (ii) Corporate Governance Committee.
- (iii) Shareholders' Grievances Committee.

(II) Shri T.Ramabadran, aged 73 years, has wide experience in the Engineering and Pharmaceutical Industry and is a Fellow of the Indian Institute of Engineering & Life Member of the Indian Pharmaceutical Association. He is an Independent Consultant in the Development & Application of Biological Enzymes for use in the treatment of highly polluted liquid effluents. He has held top Management positions in various organisations. He was a Director of Kutch Alumina Coke and Power Limited, President of Biochem Synergy Limited and worked in various capacities in Smith Kline Beecham Pharmaceuticals Limited.

Shri T. Ramabadran holds Directorship in the following Company;

<u>Company Name</u>	<u>Category</u>
➤ Pharmed Medicare Private Limited	Director

He is also member of following Committees in your Company:

- (i) Audit Committee.
- (ii) Corporate Governance Committee.
- (iii) Shareholders' Grievances Committee.

**3. AUDIT COMMITTEE**

The Audit Committee of the Board of Directors is constituted in compliance with Corporate Governance requirements. The three members out of total four members of the Committee are Independent Directors and all the members are non-Executive Directors and have relevant finance and audit exposure. The Committee is headed by an Independent Director. The head of Internal Audit and Statutory Auditors attend and participate in the meeting regularly on invitation.

The terms of reference and scope of the Committee include:-

- (i) To oversee the Company's financial reporting process and disclosure of its financial information.
- (ii) The appointment/removal of Statutory/Internal Auditors, fixation of audit fees and approval of payments.
- (iii) Any other services, to review and discuss with the Auditors about internal control systems and the scope of audit.
- (iv) Including the observations of the Auditors, adequacy of the internal audit system and major accounting policies.
- (v) Practices and entries, compliances with accounting standards and listing agreement entered into with the Stock Exchanges.
- (vi) Other legal requirements concerning financial statements and related party transactions, if any.
- (vii) To review the Risk Management and Legal matters of the Company, to review the quarterly, half yearly and
- (viii) Annual financial statements before submitting to the Board of Directors.

The attendance of members at the meetings was as follows:

Name of the member	Status	Director Category	No. of meeting attended
Shri T. Ramabadran	Chairman	Independent Director	4
Shri C.S. Ramesh	Member	Non Executive Director	3
Shri J. Venkataraman	Member	Independent Director	0
Shri N. Ganga Ram	Member	Independent Director	4

The Company Secretary acts as the Secretary of the Committee and the Statutory Auditors of the Company are permanent invitees to the meetings of the Audit Committee .

The Minutes of the Meetings of the Audit Committee are circulated to, discussed and noted by the Board.

The Committee met four times during the year under review on the dates indicated below:

- (i) 16 Apr 2012
- (ii) 06 Jul 2012
- (iii) 08 Oct 2012
- (iv) 08 Jan 2013

#### 4. REMUNERATION COMMITTEE

As your Company is Board-managed, there is no statutory obligation to constitute Remuneration Committee.

#### NON-EXECUTIVE DIRECTORS COMPENSATION AND DISCLOSURES

Details of sitting fees and commission paid to the Non-Executive Directors with the approval of the Shareholders during the year are given below:

Name of the Director	Sitting Fees	Commission	Total
		(Rupees in Lakhs)	
1. Shri Suresh Krishnamurthi Rao	0.00	25.56	25.56
2. Shri C.S. Ramesh	1.25	5.00	6.25
3. Shri T. Ramabadrnan	1.60	3.00	4.60
4. Shri J. Venkataraman	0.00	0.00	0.00
5. Shri N. Ganga Ram	1.60	2.00	3.60
<b>TOTAL</b>	<b>4.45</b>	<b>35.56</b>	<b>40.01</b>

It may be noted that the commission of Rs. 35.56 lakhs as above relates to the year 2011-12 actually paid in the year 2012-13.

For the year ended 31<sup>st</sup> March 2013, it is proposed to pay commission of 3% of the Net Profits of the Company to the Non Executive Directors, absorbing a sum of Rs. 100 lakhs.

#### 5. SHAREHOLDERS' / INVESTORS' GRIEVANCES COMMITTEE

The Board of Directors has constituted a Shareholders'/Investors' Grievances Committee consisting of the following Non-Executive Directors:

Sl No.	Name of the member	Status	Directors Category	No. of meeting attended
1.	Shri N. Ganga Ram	Chairman	Independent Director	4
2.	Shri T. Ramabadrnan	Member	Independent Director	4
3.	Shri C.S. Ramesh	Member	Non Executive Director	3
4.	Shri J. Venkataraman	Member	Independent Director	0
5.	Shri Suresh Krishnamurthi Rao	Member	Non Executive Promoter	4

The Committee also looks into redressal of shareholders' complaints like delay in transfer of shares, non-receipt of annual report/dividend warrants etc., oversees the performance of Registrars & Transfer Agents and recommends measures for overall improvements in the quality of investor services.

During the Financial Year 2012-13, the Committee met on:

- (i) 16 Apr 2012
- (ii) 06 Jul 2012
- (iii) 08 Oct 2012
- (iv) 08 Jan 2013

During the year 2012-13, a total of 33 letters received from the shareholders seeking clarification on Demat, Dividend, Share Split, Non-receipt of Annual Accounts etc. were responded to and at the end of the year, no matter raised by the shareholders was pending redressal.

Shri K. Mohamed Ibrahim, Company Secretary was the Compliance Officer under the relevant SEBI guidelines till 26<sup>th</sup> February, 2013 and subsequently with effect from 27<sup>th</sup> February, 2013, Shri S.C. Sai Narayanan, the new Company Secretary, has taken over the charge, as Compliance Officer.

#### 6. ANNUAL GENERAL MEETINGS:

i. The details of the last three Annual General Meetings of the Company are given below.

Year	Location	Date	Time	Number of special resolutions passed
2009-10	Registered Office	07.05.2010	08.30 hrs	---
2010-11	Registered Office	23.05.2011	08.30 hrs	---
2011-12	Registered Office	21.05.2012	10.00 hrs	---

ii. During the year, the Company obtained approval of shareholders through Postal Ballot for the following item:

Special Resolution: To amend objective clause of the Memorandum of Association of the Company to undertake trading business in Sugar and allied products.

This Special Resolution was passed in accordance with the Companies (Passing of Resolution by Postal Ballot) Rules, 2011 read with Section 192A of the Companies Act, 1956, duly observing the applicable Rules.

Details of Voting Pattern:

Particulars	No. of Ballots	No. of Shares	%
Assent for the Special Resolution	253	7004894	99.75
Dissent for the Special Resolution	15	17826	0.25
Invalid	11	---	---
<b>Total</b>	<b>279</b>	<b>7022720</b>	<b>100 %</b>

Shri K. Rajagopalan, Practicing Company Secretary, Chennai, conducted the Postal Ballot.

iii) At the forthcoming AGM, there is no item on the Agenda that needs approval by Postal Ballot.

## 7. DISCLOSURES:

- a. Related party transactions during the year have been disclosed as required under Accounting Standard 18. The transactions are not prejudicial to the interests of the Company.
- b. No strictures/penalties have been imposed on the Company by the Stock Exchanges or SEBI or any statutory authorities on any matter related to capital market during the last three years.
- c. Accounting Treatment

In the preparation of the financial statements, the generally accepted accounting principles and policies were followed. All the Mandatory Accounting Standards were followed in the preparation of the financial statements.

- d. Board Disclosures - Risk Management

The main objective of Risk Management is risk reduction and avoidance as also to help the Company identify the risks faced by the business and optimise the risk management strategies. The Company has a defined risk management framework.

- e. Code of Conduct

The Company has adopted a Code of Conduct for the members of the Board of Directors and the Senior Management personnel of the Company. The said Code of Conduct has been posted on the Website of the Company [www.chemfabalkalis.com](http://www.chemfabalkalis.com)

The Company is Board-managed and there is no Managing/ Whole time Director/Manager. The Board of Directors have authorized the CFO, to make a declaration on compliance of Code of Conduct by all the Board Members and the senior management personnel.

A Report on the compliance aspect of the Code of Conduct given by the CFO and the Company Secretary, authorised by the Board, is given at the end of this Report.

- f. Subsidiary Companies

The Company has no Subsidiary.

- g. Proceeds from Public Issues, Rights Issues, Preferential Issues etc.

No money was raised through Public/Rights/Preferential Issues during the year.

- h. Management disclosures

Management Discussion and Analysis Report forms part of the Annual Report.

## 8. CEO/CFO CERTIFICATION

The Company is Board-managed and there is also no CEO. However, the Directors have authorized the Company Secretary and the CFO of the Company, to discharge the obligations expected of a CEO under the Corporate Governance Guidelines prescribed by SEBI.

Accordingly, the Board has received the necessary certificate from this committee.

## 9. MEANS OF COMMUNICATION:

The quarterly/half yearly /yearly financials audited/unaudited results were published by the Company in Newspapers as required. Further, the quarterly results were also posted in the Company's Website – [www.chemfabalkalis.com](http://www.chemfabalkalis.com)

## 10. GENERAL SHAREHOLDERS INFORMATION:

<b>REGISTERED OFFICE</b>	Team House, GST Salai Vandalur, Chennai – 600 048, India Phone : +91-44-22750323/324 Fax : +91-44-22750860 Email : cosecy@draaholdings.com Website: www.chemfabalkalis.com
<b>ANNUAL GENERAL MEETING</b>	Day : Thursday Date : 23 <sup>rd</sup> May, 2013 Time : 10.00 A.M Venue : Registered Office <b>Date of Book closure : 15<sup>th</sup> May 2013 to 23<sup>rd</sup> May 2013 (both days incl.)</b>
<b>FINANCIAL CALENDAR (TENTATIVE) Covering period from 01<sup>st</sup> Apr 2013 to 31<sup>st</sup> Mar 2014.</b>	<ul style="list-style-type: none"><li>➤ First Quarter's Results By 15<sup>th</sup> Jul 2013</li><li>➤ Second Quarter's Results By 15<sup>th</sup> Oct 2013</li><li>➤ Third Quarter's Results By 15<sup>th</sup> Jan 2014</li><li>➤ Annual Results By 15<sup>th</sup> Apr 2014</li></ul>

## LISTING OF EQUITY SHARES ON THE STOCK EXCHANGES

<b><u>STOCK EXCHANGE WHERE SHARES ARE LISTED</u></b>	<b><u>SCRIP CODE / No.'s</u></b>
DEMAT ISIN IN NSDL AND CDSL FOR EQUITY SHARES	<b>ISIN INE479E01028</b>
BOMBAY STOCK EXCHANGE LTD. (BSE)*	<b>506894</b>
NATIONAL STOCK EX- CHANGE OF INDIA LIMITED (NSE)*	<b>CHEMFALKAL</b>

\* The Company has paid Listing Fees to the Stock Exchanges for 2012-13.

## MARKET PRICE DATA

The High and Low stock quotations during the financial year 2012-13 on BSE and NSE are as under:

(in Rs.)

Month		BSE		NSE	
		High	Low	High	Low
April	2012	50.25	42.00	50.35	41.35
May	2012	47.95	37.25	48.55	37.45
June	2012	44.50	38.25	44.00	37.35
July	2012	52.95	42.35	53.00	43.30
August	2012	51.00	46.00	52.80	44.75
September	2012	59.95	47.15	59.70	47.05
October	2012	70.00	57.55	69.90	55.60
November	2012	64.85	55.65	68.75	52.70
December	2012	74.50	63.00	74.80	62.60
January	2013	108.00	72.65	107.90	72.05
February	2013	86.00	74.05	94.70	74.40
March	2013	84.50	66.50	84.60	67.00

<b>REGISTRAR AND SHARE TRANSFER AGENT</b>	M/s Cameo Corporate Services Ltd, Subramanian Building, #1 Club House Road, Chennai - 600 002. Phone No. +91-44-2846 0390 Fax No. +91-44-2846 0129 Email : <a href="mailto:cameo@cameoindia.com">cameo@cameoindia.com</a> Website : <a href="http://www.cameoonline.net">www.cameoonline.net</a>
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## SHARE TRANSFER SYSTEM

A Committee of the Board approves Share Transfers in the physical form on a fortnightly basis.

## DISTRIBUTION OF SHAREHOLDINGS

SHAREHOLDINGS OF NOMINAL VALUE		SHAREHOLDERS		SHARE AMOUNT	
Rs.	Rs.	Number	% TO TOTAL	Rs.	% TO TOTAL
5	5000	4989	93.32	5063535	11.04
5001	10000	185	3.46	1435705	3.13
10001	20000	93	1.73	1424535	3.10
20001	30000	34	0.63	850295	1.85
30001	40000	16	0.29	561075	1.22
40001	50000	8	0.14	367845	0.80
50001	100000	13	0.24	981670	2.14
100001	And above	8	0.19	35173825	76.72
<b>TOTAL</b>		<b>5346</b>	<b>100.00</b>	<b>45858485</b>	<b>100.00</b>

## SHAREHOLDING PATTERN

CATEGORY	NO.OF HOLDERS	TOTAL SHARES	% to EQUITY
Resident	4968	1828788	19.94
Foreign National	2	107000	1.17
NRI	127	78877	0.86
Corporate Body	215	262693	2.86
Clearing Member	22	6213	0.07
Mutual Funds	4	9100	0.10
Trusts	1	200	0.00
Bank	2	500	0.01
Promoters	5	6878326	74.99
<b>TOTAL</b>	<b>5346</b>	<b>9171697</b>	<b>100.00</b>

## DETAILS OF UNCLAIMED SHARE CERTIFICATES

In terms of Clause 5A of the Listing Agreement, the Company had sent the reminder letters dated 27.01.2011, 05.03.2011 and 30.03.2011 to all the Shareholders whose Share Certificates have been returned undelivered. The Company will transfer the Shares comprised in the Share Certificates, which are still remaining undelivered into one Folio in the name of Unclaimed Suspense Account (Demat Account). The Company is in the process of opening an Unclaimed Suspense Account and further disclosure under Clause 5A(II)(h) will be made in due course.

## DEMATERIALISATION OF SHARES:

The Company has appointed M/s Cameo Corporate Services Ltd., as the Registrars of the Company for establishing connectivity with NSDL and CDSL to facilitate dematerialisation of the shares held by the Members.

As on 31.03.2013, 95.68 % have been dematerialised.

**OUTSTANDING GDR/ADR WARRANTS OR  
CONVERTIBLE BONDS**

The Company has not issued any of the securities mentioned above.

**PLANT LOCATION**

<b>CHLOR ALKALI DIVISION</b>	“Gnanananda Place”, Kalapet, Puducherry - 605 014
<b>SALT DIVISION</b>	Kanthadu Village, Tindivanam Taluk, Villupuram District
The Company Secretary Chemfab Alkalis Limited Team House, GST Salai, Vandalur Chennai – 600 048	Phone : +91-44-22750323 Fax : +91-44-22750860 Email : cosecy@draoholdings.com Website: <a href="http://www.chemfabalkalis.com">www.chemfabalkalis.com</a>

For and on behalf of the Board of Directors

Place : Chennai            C.S.Ramesh    Suresh Krishnamurthi Rao  
Dated : 11<sup>th</sup> April, 2013    Director        Chairman

**Declaration**

As stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct.

S.C. Sai Narayanan  
Company Secretary

Nitin S.Cowlagi  
Vice President (Finance)

Place : Chennai  
Date : 11<sup>th</sup> April, 2013

**AUDITORS' CERTIFICATE ON CORPORATE  
GOVERNANCE**

To the Members of Chemfab Alkalis Limited

We have examined the compliance of conditions of corporate governance by Chemfab Alkalis Limited ("the Company"), for the year ended 31 March 2013, as stipulated in Clause 49 of the Listing Agreements of the said company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statement of the Company.

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

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

For DELOITTE HASKINS & SELLS  
Chartered Accountants  
(Registration No.008072S)  
Sriraman Parthasarathy  
Partner  
Membership No. 206834

CHENNAI, April 11, 2013

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
CHEMFAB ALKALIS LIMITED**

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

**Opinion**

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

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**Emphasis of Matter**

We draw attention to Note 29 (ii) to the financial statements relating to the disallowance of Sales Commission by the Revenue Authorities for the Financial Year 2009-10 and the potential Income Tax liability (including the relevant interest) of Rs.1,38,65,809/- on such disallowance being disclosed under “Contingent Liabilities” for the reasons stated in the said Note.

Our opinion is not qualified in respect of this matter.

**Report on Other Legal and Regulatory Requirements**

As required by the Companies (Auditor’s Report) Order, 2003 (“the Order”) issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

As required by Section 227(3) of the Act, we report that:

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.

In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

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

In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.

On the basis of the written representations received from the directors as on 31 March 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013 from being appointed as a director in terms of Section 274(1) (g) of the Act.

For DELOITTE HASKINS & SELLS  
Chartered Accountants  
(Registration No. 008072S)

Sriraman Parthasarathy  
Partner  
Membership No. 206834

CHENNAI, April 11, 2013

**ANNEXURE TO THE AUDITORS’ REPORT**

(Referred to in our report of even date)

- (i) Having regard to the nature of the Company’s business/ activities/result, clauses 4(vi), 4(x), 4(xi), 4(xii), 4(xiii), 4(xiv), 4(xv), 4(xvi), 4(xviii), 4(xix) and 4(xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) Some of the fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanation given to us, considering the nature of the products and the industry practice, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods. During the course of our audit, we have not observed any major weakness in such internal control system.

(vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

(a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.

(b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time other than purchases of certain items of fixed assets that are of the Company's specialised requirements for which prevailing market prices at the relevant time were not available for comparison.

(vii) In our opinion the internal audit function carried out during the year by a firm of Chartered Accountants appointed by the Management has been commensurate with the size of the Company and the nature of its business.

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

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

(a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, VAT, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, VAT, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31 March 2013 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax, Sales Tax, Service Tax, Excise Duty and Cess and other material statutory dues which have not been deposited as at 31 March 2013 on account of disputes are given below:

Name of the Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates (F.Y)	Amount involved (Rs.)
The Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals), Chennai	2009-10	1,55,79,800
The Income Tax Act, 1961	Income Tax	Assessing Officer	2003-04 to 2006-07 and 2008-09	2,82,74,516
The Central Sales Tax Act, 1956	Sales Tax	CTO Chengalpet	2003-04	57,939
The Central Excise Act, 1944	Excise duty	Commissioner (Appeals), Chennai	April 2006 to June 2012	50,25,015
The Finance Act, 1994	Service Tax	Commissioner (Appeals), Chennai	January 2005 to June 2012	52,19,327
The Electricity Act, 2003	Fuel Surcharge	Appellate Tribunal for Electricity, New Delhi	April 2010 to October 2010	1,13,60,656

(x) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.

(xi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS  
Chartered Accountants  
(Registration No. 008072S)  
Sriraman Parthasarathy  
Partner  
Membership No. 206834

CHENNAI, April 11, 2013



**BALANCE SHEET AS AT 31 MARCH 2013**

Particulars	NOTE No.	As at 31 March 2013 Rupees	As at 31 March 2012 Rupees
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' funds</b>			
(a) Share Capital	2	4,58,58,485	4,58,58,485
(b) Reserves and Surplus	3	101,42,51,743	83,27,25,650
<b>(2) Non-Current Liabilities</b>			
(a) Deferred Tax Liabilities (Net)	4	10,43,44,016	11,20,54,900
(b) Other Long-Term Liabilities	5	33,98,648	34,18,173
(c) Long-Term Provisions	6	25,45,402	29,62,322
<b>(3) Current Liabilities</b>			
(a) Trade Payables	7	12,16,47,726	6,06,47,504
(b) Other Current Liabilities	8	4,55,10,409	2,62,58,333
(c) Short-Term Provisions	9	1,85,61,845	3,44,37,267
<b>TOTAL</b>		<b><u>135,61,18,274</u></b>	<b><u>111,83,62,634</u></b>
<b>II. ASSETS</b>			
<b>(1) Non-Current Assets</b>			
(a) Fixed assets			
(i) Tangible Assets	10	65,91,86,126	59,53,33,316
(ii) Capital work-in-progress		2,00,71,278	1,78,28,439
(b) Non-Current Investments	11	32,148	32,648
(c) Long-Term Loans and Advances	12	18,94,71,829	4,35,58,769
(d) Other Non-Current Assets	13	77,63,118	56,15,318
<b>(2) Current Assets</b>			
(a) Current Investments	14	26,32,47,713	23,92,07,818
(b) Inventories	15	2,96,06,347	4,40,82,698
(c) Trade Receivables	16	14,33,82,875	9,03,49,724
(d) Cash and Cash Equivalents	17	2,79,95,579	3,06,84,140
(e) Short-term Loans and Advances	18	1,38,66,034	5,06,19,663
(f) Other Current Assets (Refer Note 45)		14,95,227	10,50,101
<b>TOTAL</b>		<b><u>135,61,18,274</u></b>	<b><u>111,83,62,634</u></b>

See accompanying notes forming part of the financial statements

In terms of our report attached

For and on behalf of the Board of Directors

**For Deloitte Haskins & Sells  
Chartered Accountants**

**C.S. Ramesh  
Director**

**Suresh Krishnamurthi Rao  
Chairman**

**Sriraman Parthasarathy  
Partner**

**Nitin S. Cowlagi  
Vice President - Finance**

**S.C. Sai Narayanan  
Company Secretary**

Place : Chennai  
Date : 11 April 2013

Place : Chennai  
Date : 11 April 2013



**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2013**

Particulars	Note No	For the Year Ended 31 March 2013	For the Year Ended 31 March 2012
		Rs.	Rs.
<b>I</b> Revenue from operations (Gross)	19	129,55,83,829	86,41,09,891
Less : Excise Duty		13,62,70,556	7,66,61,141
Revenue from operations (Net)		<u>115,93,13,273</u>	<u>78,74,48,750</u>
<b>II</b> Other Income	20	3,63,31,111	2,11,17,676
<b>III Total Revenue ( I+II )</b>		<u><b>119,56,44,384</b></u>	<u><b>80,85,66,426</b></u>
<b>IV Expenses</b>			
Cost of Materials Consumed	21	4,17,57,936	7,62,73,635
Purchases of Stock In Trade	22	30,18,692	3,39,11,207
Changes in Inventories of Finished Goods and Work in Progress	23	1,46,26,162	(99,48,973)
Other Direct Manufacturing Expenses	24	48,76,05,854	30,03,81,999
Employee Benefits Expenses	25	7,80,74,164	6,95,88,529
Depreciation Expenses	10	6,68,07,107	6,80,68,917
Other Expenses	26	15,54,52,482	15,17,49,719
<b>Total Expenses</b>		<u><b>84,73,42,397</b></u>	<u><b>69,00,25,033</b></u>
<b>V Profit before tax ( III - IV )</b>		<b>34,83,01,987</b>	11,85,41,393
<b>VI Less: Tax expenses (Refer Note 31)</b>			
Current tax		12,11,88,900	7,92,00,000
Deferred tax		(77,10,884)	(3,54,00,403)
<b>VII Profit for the Year ( V - VI )</b>		<u><b>23,48,23,971</b></u>	<u><b>7,47,41,796</b></u>
<b>VIII Earnings per share (of Rs 5/- each)</b>			
Basic	42	25.60	8.15
Diluted		25.60	8.15

See accompanying notes forming part of the financial statements

In terms of our report attached

**For and on behalf of the Board of Directors**

**For Deloitte Haskins & Sells  
Chartered Accountants**

**C.S. Ramesh  
Director**

**Suresh Krishnamurthi Rao  
Chairman**

**Sriraman Parthasarathy  
Partner**

**Nitin S. Cowlagi  
Vice President - Finance**

**S.C. Sai Narayanan  
Company Secretary**

**Place : Chennai  
Date : 11 April 2013**

**Place : Chennai  
Date : 11 April 2013**



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013**

Particulars	For the Year Ended 31 March 2013	For the Year Ended 31 March 2012
<b>A. Cash flow from Operating Activities</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Net Profit Before Tax</b>	<b>34,83,01,987</b>	11,85,41,393
<b>Adjustment for:</b>		
Depreciation Expenses	6,68,07,107	6,80,68,917
Dividend from Non-Current Investments	(3,000)	(97,798)
Dividend from Current Investments	(1,85,65,304)	(1,36,99,155)
Interest from Fixed Deposit	(14,84,234)	(13,58,502)
Interest from Inter Corporate Deposit	(46,84,935)	-
Provision for compensated absences	(1,67,875)	1,88,500
(Profit)/Loss from sale of fixed assets (net)	(87,46,266)	95,89,503
Liability no longer required written back	(63,174)	(26,67,021)
Unrealised Exchange Variation (Net)	(5,66,833)	9,26,946
<b>Operating Profit before Working Capital and Other changes</b>	<b>38,08,27,473</b>	17,94,92,783
Increase in Trade Receivables	(5,29,88,018)	(7,65,95,727)
Decrease / (Increase) in Other Receivables	3,66,81,925	(4,06,62,316)
Decrease / (Increase) in Inventories	1,44,76,351	(17,41,796)
Increase in Trade Payables and Other Current and Non-current liabilities	6,94,68,490	3,75,99,709
<b>Changes in Working Capital and Other Changes</b>	<b>6,76,38,748</b>	(8,14,00,130)
<b>Cash generated from Operations</b>	<b>44,84,66,221</b>	9,80,92,653
Direct Taxes Paid (net)	(13,73,13,368)	(4,13,14,962)
<b>Net cash generated from Operating Activities (A)</b>	<b>31,11,52,853</b>	5,67,77,691
<b>B. Cash flow from Investing Activities</b>		
Capital Expenditure	(18,18,91,209)	(1,71,87,084)
Proceeds from Sale of Fixed Assets	2,28,72,010	1,67,42,032
Sale Proceeds of current investments	500	1,67,44,298
Increase in Bank balances not considered as Cash and cash equivalents	(1,44,448)	(6,06,931)
Inter Corporate Deposit	(10,00,00,000)	-
Increase in Bank balances included in Other Non Current Assets	(21,47,800)	(1,61,500)
Dividend Received from Non-current Investments	3,000	-
Dividend Received from Current Investments	1,85,65,304	1,36,99,155
Interest Received on Fixed Deposit	10,39,108	11,41,348
Interest Received on Inter Corporate Deposit	46,84,935	-
<b>Net Cash (used in) / generated from Investing Activities (B)</b>	<b>(23,70,18,600)</b>	3,03,71,318
<b>C. Cash flow from Financing Activities</b>		
Unclaimed Dividend, Dividend Paid / remitted, including Dividend Tax	(5,32,97,878)	(2,67,27,603)
<b>Net Cash used in Financing Activities (C)</b>	<b>(5,32,97,878)</b>	(2,67,27,603)
<b>D. Net Increase in Cash &amp; Cash Equivalents (A)+(B)+(C)</b>	<b>2,08,36,375</b>	6,04,21,406
<b>E. Cash &amp; Cash Equivalents (Opening) as on 1 April 2012 / 1 April 2011</b>	<b>26,64,20,533</b>	20,59,99,127
<b>F. Cash &amp; Cash Equivalents (Closing) as on 31 March 2013 / 31 March 2012</b>	<b>28,72,56,908</b>	26,64,20,533
<b>Reconciliation of Cash and cash equivalents with the Balance Sheet:</b>		
Cash and cash equivalents as per Balance Sheet ( Refer Note 17)	2,79,95,579	3,06,84,140
Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements		
- Deposits under Lien	(19,85,520)	(18,41,072)
- Unpaid Dividend Account	(20,00,364)	(16,29,853)
Net Cash and cash equivalents (as defined in AS 3 Cash Flow Statements)	2,40,09,695	2,72,13,215
Add: Current investments considered as part of Cash and cash equivalents (as defined in AS 3 Cash Flow Statements) (Refer Note 14)	26,32,47,213	23,92,07,318
<b>Cash and cash equivalents at the end of the Year</b>	<b>28,72,56,908</b>	26,64,20,533

See accompanying notes forming part of the financial statements

In terms of our report attached

**For and on behalf of the Board of Directors**

**For Deloitte Haskins & Sells  
Chartered Accountants**

**C. S. Ramesh  
Director**

**Suresh Krishnamurthi Rao  
Chairman**

**Sriraman Parthasarathy  
Partner**

**Nitin S. Cowlagi  
Vice President - Finance**

**S.C. Sai Narayanan  
Company Secretary**

**Place : Chennai**

**Place : Chennai**

**Date : 11 April 2013**

**Date : 11 April 2013**



## **1. SIGNIFICANT ACCOUNTING POLICIES**

### **a. BASIS OF ACCOUNTING**

The financial statements are prepared under the historical cost convention on the accrual basis of accounting and in accordance with Accounting principles generally accepted in India and comply with the accounting standards notified by the Central Government of India, under the Companies (Accounting Standards) Rules 2006 and relevant provisions of the Companies Act, 1956.

### **b. USE OF ESTIMATES**

The preparation of the financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and the disclosures relating to contingent assets and liabilities as on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates.

### **c. OPERATING CYCLE**

All assets and liabilities have been classified as Current and Non-Current as per the company's normal operating cycle and other criteria set out in the Schedule VI of the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of Current and Non-Current classification of Assets and Liabilities.

### **d. INVENTORIES**

Inventories are valued at the lower of cost (net of cenvat where applicable) and net realizable value. Cost includes cost of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition and is net of credit under Cenvat scheme and VAT where applicable. The methods of determination of cost of various categories of inventory are as follows:

- Raw Materials and Chemicals, Fuel and Stores and Spares – On weighted average basis.
- Finished goods and Work in Progress at lower of Cost, which includes appropriate production overheads and Net Realizable Value, the Cost being determined on weighted average basis.

Excise duty payable on manufactured finished goods held in the factory is included in the value of closing stock wherever applicable.

Due allowance is estimated and made by the Management for slow moving / non-moving items of inventory, wherever necessary, based on the technical assessment and such allowances are adjusted against the closing inventory value.

**e. CASH AND CASH EQUIVALENTS (FOR PURPOSES OF CASH FLOW STATEMENT)**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

**f. CASH FLOW STATEMENT**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

**g. FIXED ASSETS AND DEPRECIATION**

Fixed Assets are recorded at cost less accumulated depreciation. The company capitalizes all costs relating to acquisition and installation of fixed assets. Cost of spares relating to specific item of fixed assets is capitalized. Cost of modifications that enhance the operating performance or extend the useful life of fixed assets are also capitalized, where there is a certainty of deriving future economic benefits from the use of such assets.

Eligible borrowing costs are capitalized as part of qualifying fixed assets. Other borrowing costs are expensed.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date are disclosed as "Capital Advances" under Long Term Loans and Advances and cost of fixed assets not ready to use before such date are disclosed under "Capital Work- in- Progress".

Fixed assets are depreciated pro-rata to the period of use, based on straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956 or based on the depreciation rates as per the estimated useful lives of assets whichever is higher as under:

Category	Rate
Buildings	3.34%
<b>Plant and Equipments</b>	
- Continuous process plant	5.28% *
- Others	4.75% to 20%*
Furniture and Fixtures	6.33%
Computers	16.21%
Vehicles	9.50%
Office Equipments	4.75%

\* As certified by Management and relied upon by the Auditors, based on the technical assessment of the Management

Assets costing less than Rs.5000 are fully depreciated in the year of addition, as and when capitalized.

Depreciation is accelerated on fixed assets, based on their condition, usability etc. as per the technical estimates of the Management, where necessary.



## **h. IMPAIRMENT OF ASSETS**

The company determines whether there is any indication of impairment of the carrying amount of its assets. The recoverable amount of such assets are estimated, if any indication exists and impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount.

## **i. RESEARCH AND DEVELOPMENT**

Revenue expenditure incurred on research and development activities is expensed. Fixed assets, relating to research and development are capitalized and depreciation provided there on.

## **j. REVENUE RECOGNITION**

Domestic sale of products is recognised when the products are despatched to the customer which is when risks and rewards of ownership are transferred as per the terms of sale / understanding with the customers. Sales are inclusive of excise duty but excluding other taxes and are net of rebates and discounts.

Export sale of products is recognised when goods are delivered to the carrier, which is when risks and rewards of ownership are transferred as per the terms of sale / understanding with the customers.

Revenues are recognised when collectability of resulting receivables is reasonably assured.

Income from service activities is accounted for on rendering the service in accordance with the contractual terms and when there is no uncertainty in receiving the same.

Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that there is no uncertainty in the receiving the claims.

Interest income is recognized using time proportion method.

Dividend Income is accounted when the right to receive is established.

## **k. FOREIGN EXCHANGE TRANSACTION**

Transactions in foreign currencies are accounted at the exchange rates prevailing on the date of the transactions and the realized exchange loss/gain are dealt with in the Statement of Profit and Loss.

Monetary assets and liabilities denominated in foreign currency are restated at the rates of exchange as on the Balance Sheet date and the exchange/gain loss is suitably dealt with in the Statement of Profit and Loss.

## **l. INVESTMENTS**

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current Investments are stated at lower of cost and fair value. Long term investments are stated at cost of acquisition. Provision for diminution is made when such diminution is considered other than temporary in nature. Valuation is determined on the basis of each category of investments.



### **m. GOVERNMENT GRANTS, SUBSIDIES AND EXPORT INCENTIVES**

Government grants and subsidies are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants / subsidies will be received. Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire capital assets are presented by deducting them from the carrying value of the assets. The grant is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

Export benefits, if any, are accounted for in the year of exports based on eligibility and when there is no uncertainty in receiving the same.

Government grants in the nature of promoters' contribution like investment subsidy, where no repayment is ordinarily expected in respect thereof, are treated as capital reserve. Government grants in the form of non-monetary assets, given at a concessional rate, are recorded on the basis of their acquisition cost. In case the non-monetary asset is given free of cost, the grant is recorded at a nominal value.

Other Government grants and subsidies are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

### **n. EMPLOYEE BENEFITS**

#### **1. DEFINED CONTRIBUTION PLAN**

- a. Fixed contributions to Provident Fund are recognized in the accounts at actual cost to the Company.
- b. Super Annuation Fund: The Company makes contribution to a scheme administered by the insurer to discharge its liabilities towards super annuation to the employees. The Company has no other liability other than its annual contribution.

#### **2. DEFINED BENEFIT PLAN**

- a. Gratuity: The Company makes contribution to a scheme administered by the insurer to discharge gratuity liabilities to the employees. The Company records its gratuity liability based on independent actuarial valuation as at the Balance Sheet date using the Projected Unit Credit Method. Actuarial gains and losses are immediately recognized in the Statement of Profit and Loss.
- b. Accumulated compensated absence: The Company records its Compensated absence liability based on actuarial valuation as at the Balance Sheet date by an independent actuary using the Projected Unit Credit Method.

#### **3. OTHER EMPLOYEE BENEFITS**

Other employee benefits are estimated and accounted as per the company's policy and the terms of the employment contract.



**o. TAXATION**

- a. Current tax is determined on the profit for the Year in accordance with the provisions of the Income tax Act, 1961.
- b. Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

**p. SEGMENT REPORTING**

- i. The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.
- ii. The accounting policies adopted for segment reporting are in line with the accounting policies of the company.
- iii. Revenue and expenses are identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses which, relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, are included under corporate- unallocated on a net basis.
- iv. Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market / fair value factors.

**q. LEASES:**

Leases are classified as finance or operating leases depending upon the terms of the lease agreements.

**Finance leases**

Finance leases, which effectively transfer substantially all the risks and benefits incidental to the ownership of the leased item, are capitalised at the lower of the fair value or present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and the reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.



### **Operating leases**

Leases of assets under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

### **r. EARNINGS PER SHARE:**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

### **s. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be outflow of resources. Contingent Liabilities are not recognised, but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

### **t. SERVICE TAX INPUT CREDIT**

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Particulars	As at 31 March 2013	As at 31 March 2012
	<b>Rs</b>	<b>Rs</b>
<b>2. Share Capital AUTHORISED</b>		
4,22,00,000 (P.Y 4,22,00,000) Equity Shares of Rs 5/- each (Refer Note 2(d) below)	21,10,00,000	21,10,00,000
4,000 (P.Y.4,000) 11% Redeemable Cumulative Preference Shares of Rs 100/- each	4,00,000	4,00,000
	<u>21,14,00,000</u>	<u>21,14,00,000</u>
<b>ISSUED SUBSCRIBED AND FULLY PAID-UP</b>		
91,71,697 (P.Y. 91,71,697) Equity Shares of Rs.5/- each	4,58,58,485	4,58,58,485
<b>Total</b>	<u>4,58,58,485</u>	<u>4,58,58,485</u>
<b>Notes</b>		
<b>(a) Reconciliation of Number of Shares</b>		
Shares outstanding as at 1 April 2012 / 1 April 2011	91,71,697	91,71,697
Shares outstanding as at 31 March 2013 / 31 March 2012	91,71,697	91,71,697
<b>(b) List of shareholders holding more than 5% of the total number of shares issued by the Company :</b>		
<b>Name of the shareholder (Class of Shares, % Holding)</b>		
Dr. Rao Holdings Pte Ltd (Equity Shares 49.84% (P.Y 49.84%))	45,71,468	45,71,468
Titanium Equipment and Anode Manufacturing Company Limited (Equity Shares 9.60%, (P.Y 9.60%))	8,80,458	8,80,458
Dr. C.H. Krishnamurthi Rao (Equity Shares NIL (PY 6.18%))	-	5,66,903
Mrs. K.M. Padma (Equity Shares 5.96%, (PY 5.96%))	5,46,556	5,46,556
Mr. Suresh Krishnamurthi Rao (Equity Shares 9.59%, (PY 3.41%))	8,79,804	3,12,901
<b>(c) Disclosure of Rights</b>		
<p>The Company has issued only one class of equity shares having a par value of Rs.5 per share. Each holder of Equity share is entitled to one vote per share. The Company declares dividends in Indian Rupees. Dividend when proposed by the Board of Directors is subject to the approval of the shareholders at the Annual General Meeting, except in the Case of interim Dividend, if any.</p> <p>In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company. The distribution will be in proportion to the number of equity shares held by the share holders.</p>		
<b>(d)</b> Authorised share capital includes 51,00,000 Equity Shares of Rs. 10/- each (P.Y 51,00,000 Equity Shares of Rs.10/- each) being authorised share capital of Rs. 5,10,00,000 (P.Y Rs. 5,10,00,000/-) of erstwhile Membrane Technologies Limited which stood combined with the authorised share capital of the Company based on the Scheme of Amalgamation approved by the Hon'ble High Court of Madras vide its Order dated 8 March 2006.		



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Particulars	As at 31 March 2013	As at 31 March 2012
	Rs	Rs
<b>3. Reserves and Surplus</b>		
(a) Capital Reserves	40,66,650	40,66,650
(b) Capital Redemption Reserve	6,000	6,000
(c) General Reserve		
Opening Balance	19,32,88,211	19,32,88,211
Add: Transferred from surplus in the Statement of Profit and Loss	2,40,00,000	-
Closing Balance	<b>21,72,88,211</b>	<b>19,32,88,211</b>
<b>(d) Surplus in Statement of Profit and Loss</b>		
Opening Balance	63,53,64,789	56,06,22,993
Add: Profit for the year	23,48,23,971	7,47,41,796
	<b>87,01,88,760</b>	<b>63,53,64,789</b>
Less: Appropriations		
- Transferred to General Reserve	2,40,00,000	-
- Interim Dividend on Equity shares (Rate per share Rs 5/- (As at 31 March 2012 - NIL))	4,58,58,485	-
- Tax on Interim Dividend	74,39,393	-
Closing Balance	<b>79,28,90,882</b>	<b>63,53,64,789</b>
<b>Total</b>	<b>101,42,51,743</b>	<b>83,27,25,650</b>
<p>The Board of Directors at its meeting held on 8 January 2013, declared an interim dividend of Rs.5 per equity share.</p>		



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Particulars	As at 31 March 2013	As at 31 March 2012
<b>4. Deferred Tax Liabilities (Net)</b>	Rs	Rs
a. Deferred Tax Liabilities		
Difference between Depreciation on fixed assets as per Books of Account and as per Income Tax Act, 1961	10,53,48,971	11,30,68,644
b. Deferred Tax Assets		
Employee benefits	10,04,955	10,13,744
<b>Total</b>	<b>10,43,44,016</b>	<b>11,20,54,900</b>
<b>5. Other Long term Liabilities</b>		
Trade / security deposits received	26,93,630	23,11,171
Gratuity Payable	7,05,018	11,07,002
<b>Total</b>	<b>33,98,648</b>	<b>34,18,173</b>
<b>6. Long-term Provisions</b>		
Provision for Employee Benefits		
- Provision for compensated absences	25,45,402	29,62,322
<b>Total</b>	<b>25,45,402</b>	<b>29,62,322</b>
<b>7. Trade Payables</b>		
Trade payables - other than acceptances ( Refer Note 32)	12,16,47,726	6,06,47,504
<b>Total</b>	<b>12,16,47,726</b>	<b>6,06,47,504</b>
<b>8. Other Current Liabilities</b>		
Unpaid Dividends	20,00,364	16,29,853
Other payables	4,35,10,045	2,46,28,480
<b>Total</b>	<b>4,55,10,409</b>	<b>2,62,58,333</b>
Other payables pertains to:		
(i) Statutory liabilities	41,04,225	27,99,237
(ii) Creditors for Capital Goods	2,83,83,603	1,74,04,958
(iii) Advance from Customers	85,22,217	14,24,285
(iv) Gratuity Payable	25,00,000	30,00,000
<b>9. Short-term Provisions</b>		
Provision for Employee Benefits		
- Provision for compensated absences	4,11,223	1,62,178
Provision for Taxation (Net of Advance Tax of Rs. 52,08,67,899/- (P.Y.Rs. 38,67,15,976/-)	1,81,50,622	3,42,75,089
<b>Total</b>	<b>1,85,61,845</b>	<b>3,44,37,267</b>



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

10. Fixed Assets	Gross Block						Accumulated Depreciation				Amount in Rupees	
	As at 01 April 2012	Additions during the Year	Deletions during the Year	As at 31 March 2013	As at 01 April 2012	For the Year	Deletions during the Year	As at 31 March 2013	As at 31 March 2013	As at 31 March 2013	As at 31 March 2012	
<b>TANGIBLE ASSETS- OWNED</b>												
Land (Previous year)	2,15,16,875 (2,15,16,875)	7,56,39,410	44,43,197	9,27,13,088 (2,15,16,875)	-	-	-	-	9,27,13,088 (2,15,16,875)	2,15,16,875 (2,15,16,875)		
Buildings (Previous year)	8,59,52,803 (8,59,52,803)	56,73,474	6,05,885	9,10,20,392 (8,59,52,803)	2,83,47,127 (2,57,59,040)	27,50,374 (25,88,087)	1,28,428	3,09,69,073 (2,83,47,127)	6,00,51,319 (5,70,05,676)	5,76,05,676 (6,01,93,763)		
Plant and Equipments (Previous year)	128,78,72,561 (131,31,04,786)	5,94,10,148 (1,42,72,664)	12,17,36,243 (3,95,04,889)	122,55,46,466 (128,78,72,561)	78,57,28,819 (73,63,94,263)	6,16,09,639 (6,34,49,643)	11,37,70,341 (1,41,15,087)	73,35,68,117 (78,57,28,819)	49,19,78,349 (50,21,43,742)	50,21,43,742 (57,67,10,523)		
Furniture and Fixtures (Previous year)	1,14,80,272 (1,11,39,148)	4,84,005 (3,41,124)	42,19,644	77,44,633 (1,14,80,272)	72,49,591 (67,53,380)	7,09,322 (4,96,211)	42,19,644	37,39,269 (72,49,591)	40,05,364 (42,30,681)	42,30,681 (43,85,768)		
Vehicles (Previous year)	52,96,866 (49,90,575)	16,04,940 (16,98,003)	24,25,055 (13,91,712)	44,76,751 (52,96,866)	18,72,012 (19,84,788)	4,79,865 (5,31,409)	14,33,759 (6,44,185)	9,18,118 (18,72,012)	35,58,633 (34,24,854)	34,24,854 (30,05,787)		
Office Equipments (Previous year)	1,53,74,242 (1,68,42,306)	19,73,683 (21,85,406)	51,40,406 (36,53,470)	1,22,07,519 (1,53,74,242)	89,62,754 (1,14,18,451)	12,57,907 (10,03,567)	48,92,515 (34,59,264)	53,28,146 (89,62,754)	68,79,373 (64,11,488)	64,11,488 (54,23,855)		
<b>TOTAL</b>	<b>142,74,93,619</b>	<b>14,47,85,660</b>	<b>13,85,70,430</b>	<b>143,37,08,849</b>	<b>83,21,60,303</b>	<b>6,68,07,107</b>	<b>12,44,44,687</b>	<b>77,45,22,723</b>	<b>65,91,86,126</b>	<b>59,53,33,316</b>		
Previous year	145,35,46,493	1,84,97,197	4,45,50,071	142,74,93,619	78,23,09,922	6,80,68,917	1,82,18,536	83,21,60,303	59,53,33,316	67,12,36,571		

Notes:

(i) As at 31 March 2013, the Company has retired the following assets which were fully depreciated:

Particulars	Gross Block (Rs.)
Buildings	3,914
Plant and Equipments	10,80,32,435
Furniture and Fixtures	42,08,469
Vehicles	1,47,280
Office Equipments	14,080
<b>Total</b>	<b>11,24,06,178</b>

(ii) Depreciation for the year includes Rs. 61,41,051 (P.Y NIL) of accelerated depreciation charged on certain assets, based on technical assessment.

(iii) During the year, the company has sold land costing Rs.44,43,197 for Rs.1,70,80,000 and the resultant profit on such sale amounting to Rs. 1,26,36,803 has been included under the head Profit on sale of fixed asset (Net) under Note 20 "Other Income"



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Particulars	As at 31 March 2013	As at 31 March 2012
<b>11. Non-Current Investments</b>	<b>Rs</b>	<b>Rs</b>
<b>Non trade, Quoted - At cost - Fully paid up</b>		
<b>Investment in Equity Instruments of Other entities</b>		
281 (P.Y.281) Equity Shares of Rs.10/- each of Summit Securities Ltd.	20,700	20,700
500 (P.Y.500) Equity Shares of Rs.10/- each of De Nora India Ltd.	6,850	6,850
300 (P.Y.300) Equity Shares of Rs.10/- each of Sree Rayalaseema Alkalis & Allied Chemicals Ltd	1,095	1,095
450 (P.Y.450) Equity Shares of Rs.5/- each of Kanoria Chemicals Ltd.	2,408	2,408
<b>Investment in Preference Shares of Other entities</b>		
300 (P.Y.300) 0.01% Cumulative Preference Shares of Rs.10/- each of Sree Rayalaseema Alkalis & Allied Chemicals Ltd	1,095	1,095
<b>Other non-current investments - Unquoted</b>		
In National Savings Certificate	-	500
<b>Total</b>	<b>32,148</b>	<b>32,648</b>
Aggregate Cost of quoted Non-Current Investments	32,148	32,148
Aggregate market value of quoted Non-Current Investments	1,12,736	98,644
Aggregate Cost of unquoted Non-Current Investments	-	500
<b>12. Long-term Loans and Advances</b>		
(Unsecured, considered good)		
(a) Capital advances	4,63,67,065	5,25,709
(b) Deposits with related parties (Refer Note 40)		
- Inter Corporate Deposit	10,00,00,000	-
- Rental Deposit	3,00,00,000	3,00,00,000
(c) Deposits with others	1,31,04,764	1,30,33,060
<b>Total</b>	<b>18,94,71,829</b>	<b>4,35,58,769</b>
<b>13. Other Non Current Assets</b>		
Others (Refer Note below)	77,63,118	56,15,318
<b>Total</b>	<b>77,63,118</b>	<b>56,15,318</b>
<b>Note:</b>		
Represents balances with banks that are restricted from being exchanged or used to settle a liability for more than 12 months from the Balance Sheet date		



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Particulars	As at 31 March 2013	As at 31 March 2012
	Rs	Rs
<b>14. Current Investments</b> (Lower of cost and fair value)		
<b>Investments in Mutual Funds (quoted, fully paid-up)</b>		
2,14,388 units of Rs 1,000 each (P.Y. 1,66,210 units of Rs 1,000 each) SBI Premier Liquid Fund - Dividend	21,50,85,153	16,67,50,759
NIL (P.Y. 11,292 units of Rs 1000 each) SBI Magnum - Institutional Income- Savings- Dividend	-	1,89,15,057
43,863 units of Rs 1,000 each (P.Y. 48,76,230 units of Rs 10 each) LIC Nomura Liquid Fund	4,81,62,060	5,35,41,502
<b>Other current investments - Unquoted</b> In National Savings Certificate	500	500
<b>Total</b>	<b>26,32,47,713</b>	<b>23,92,07,818</b>
Aggregate amount of Current Investments in Mutual Funds		
- Cost	26,32,47,213	23,92,07,318
- Net Asset Value	26,32,47,213	23,92,07,318
Aggregate Cost of unquoted Current Investments	500	500
Current investments includes investments in the nature of "Cash and Cash Equivalents" (as defined in AS3 Cash Flow Statements) considered as part of Cash and Cash Equivalents in the Cash Flow Statement	26,32,47,213	23,92,07,318
<b>15. Inventories</b> (at lower of cost or net realisable value)		
Raw Materials and Chemicals	35,49,163	28,73,605
Work in Progress - Caustic Soda Lye	4,18,176	4,84,520
Finished Goods (other than those acquired for trading)	1,00,02,412	2,45,62,230
Fuel	11,20,116	6,17,947
Stores and Spares	1,31,60,568	1,50,37,899
Goods in Transit		
- Raw Materials	5,19,505	-
- Finished Goods	7,49,190	-
- Spares	87,217	5,06,497
<b>Total</b>	<b>2,96,06,347</b>	<b>4,40,82,698</b>



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Particulars	As at 31 March 2013	As at 31 March 2012
	Rs	Rs
<b>16. Trade Receivables</b>		
Unsecured, considered good *	14,33,82,875	9,03,49,724
<b>Total</b>	<b>14,33,82,875</b>	<b>9,03,49,724</b>
* Includes an amount of Rs. 13,89,011/- (P.Y. Rs. 18,76,871/-) outstanding for a period exceeding six months from the date they are due for payment		
<b>17. Cash and Cash Equivalents</b>		
Cash on hand	17,468	22,306
Cheques on Hand	-	20,992
Balance with Banks		
- Current Accounts	2,39,92,227	2,71,69,917
- Unpaid Dividend Accounts	20,00,364	16,29,853
Other Bank balances		
- Margin Money Accounts for bank guarantees and letters of credit	19,85,520	18,41,072
<b>Total</b>	<b>2,79,95,579</b>	<b>3,06,84,140</b>
Of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statements is:	2,40,09,695	2,72,13,215
<b>18. Short Term Loans and Advances</b>		
(Unsecured, considered good)		
a) Loans and advances to Related Parties (Refer Note 40)	-	3,12,67,407
b) Others		
(i) Advances recoverable in cash or in kind or for value to be received	53,09,412	1,28,45,495
(ii) Deposits	11,43,767	18,74,973
(iii) Balance with Central Excise Authorities	74,12,855	46,31,788
<b>Total</b>	<b>1,38,66,034</b>	<b>5,06,19,663</b>



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Particulars	For the Year Ended 31 March 2013	For the Year Ended 31 March 2012
	Rs	Rs
<b>19. Revenue from Operations</b>		
<b>(a) Sale of Products</b>		
<b>Manufactured goods (Refer Note (i) below)</b>		
Caustic Soda Lye	105,47,54,836	58,23,17,634
Chlorine	8,18,82,460	11,22,51,518
Others	14,88,20,416	12,36,20,563
<b>Total - Sale of Manufactured goods</b>	<b>128,54,57,712</b>	81,81,89,715
<b>Traded Goods (Refer Note (ii) below)</b>		
Caustic Soda Lye	19,98,984	6,74,685
Chlorine	6,00,695	1,78,79,417
Others	6,35,055	2,40,23,370
<b>Total - Sale of Traded goods</b>	<b>32,34,734</b>	4,25,77,472
<b>(b) Other Operating Income</b>		
Testing Charges (Refer Note (iii) below)	32,87,567	12,31,311
Scrap sales	36,03,816	21,11,393
<b>Total - Other Operating Income</b>	<b>68,91,383</b>	33,42,704
<b>Total</b>	<b>129,55,83,829</b>	<b>86,41,09,891</b>
Notes:		
<b>(i) Sale of Manufactured good comprises:</b>		
Domestic sales	127,81,82,736	81,57,75,201
Export sales	72,74,976	24,14,514
<b>(ii) Sale of Traded goods comprises:</b>		
Domestic sales	32,34,734	4,25,77,472
Export sales	-	-
<b>(iii) Testing Charges comprises:</b>		
Domestic	6,51,039	8,25,223
Export	26,36,528	4,06,088
<b>20. Other Income</b>		
Interest Income:		
- Interest from Fixed Deposits	14,84,234	13,58,502
- Interest from Inter Corporate Deposit	46,84,935	-
- Other Interest	3,08,637	4,15,418
Dividend income (Refer Note (i) below)	1,85,68,304	1,36,10,857
Insurance Claims	7,50,000	1,24,716
Profit on Sale of fixed assets (Net) (Refer Note 10 (iii))	87,46,266	-
Liabilities No longer Required Written Back	63,174	26,67,021
Miscellaneous Income	17,25,561	29,41,162
<b>Total</b>	<b>3,63,31,111</b>	<b>2,11,17,676</b>
Note:		
(i) Dividend income includes:		
a. Dividend from Long Term Investment	3,000	4,750
b. Dividend from Current Investment	1,85,65,304	1,36,06,107
	<b>1,85,68,304</b>	<b>1,36,10,857</b>



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Particulars	For the Year Ended 31 March 2013	For the Year Ended 31 March 2012
	Rs	Rs
<b>21. Cost of Materials Consumed</b>		
Opening Stock	28,73,605	93,57,681
Add: Purchases	4,24,33,494	6,97,89,559
	4,53,07,099	7,91,47,240
Less: Closing Stock	35,49,163	28,73,605
Cost of Materials consumed	<b>4,17,57,936</b>	<b>7,62,73,635</b>
<b>Materials Consumed Comprises of:</b>		
Salt	3,03,35,867	6,64,85,976
Soda Ash	50,16,870	25,90,934
Sulphuric acid	28,80,314	28,36,201
Sodium Sulphite	13,38,890	11,09,821
Barium chloride solution	57,848	19,40,056
Others (Refer Note (i) below)	21,28,147	13,10,647
<b>Total</b>	<b>4,17,57,936</b>	<b>7,62,73,635</b>
Note:		
(i)Others include raw materials none of which individually accounts for more than 10 % of the total consumption.		
<b>22. Purchase of Stock in Trade</b>		
Caustic Soda Lye	19,69,468	8,21,016
Chlorine	4,41,008	1,15,19,448
Others *	6,08,216	2,15,70,743
<b>Total</b>	<b>30,18,692</b>	<b>3,39,11,207</b>
* Others include purchases none of which individually accounts for more than 10 % of the total purchases.		
<b>23. Changes in Inventories of Finished Goods and Work in progress</b>		
<b>Opening Stock</b>		
Work-in-Progress	4,84,520	-
Finished goods	2,45,62,230	1,50,97,777
	2,50,46,750	1,50,97,777
<b>Closing Stock</b>		
Work-in-Progress	4,18,176	4,84,520
Finished goods	1,00,02,412	2,45,62,230
	1,04,20,588	2,50,46,750
<b>Total</b>	<b>1,46,26,162</b>	<b>(99,48,973)</b>
<b>24. Other Direct Manufacturing Expenses</b>		
Power and Fuel (Refer Note 28)	46,28,92,385	28,52,36,954
Labour Charges	2,47,13,469	1,51,45,045
<b>Total</b>	<b>48,76,05,854</b>	<b>30,03,81,999</b>
<b>25. Employee Benefits Expense</b>		
Salaries and Wages	6,50,87,548	5,71,03,338
Contribution to Provident and other Funds (Refer Note 38)	81,47,162	82,37,097
Staff Welfare Expenses	48,39,454	42,48,094
<b>Total</b>	<b>7,80,74,164</b>	<b>6,95,88,529</b>



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Particulars	For the Year Ended 31 March 2013	For the Year Ended 31 March 2012
<b>26. Other Expenses</b>	<b>Rs</b>	<b>Rs</b>
Consumption of Stores and spares	2,62,83,993	3,47,81,163
Rent - Vehicle	73,10,567	52,90,536
- Others	30,90,382	10,80,911
Repairs and Maintenance - Machinery	1,71,77,010	1,86,97,834
- Buildings	44,72,270	25,34,188
Insurance	72,19,181	73,81,062
Rates and Taxes	10,98,662	6,76,653
Travelling Expenses	61,30,214	55,76,685
Auditor's Remuneration (net of service tax input credit, where applicable)		
- Statutory audit	10,00,000	10,00,000
- For expenses	54,150	49,170
Commission to Directors	1,00,00,000	35,56,242
Sitting fees	4,45,000	3,70,000
Sales Commission	1,15,28,140	1,29,34,137
Legal and Professional Fees	73,54,910	70,59,369
Freight charges (Net)	1,02,79,868	1,19,58,107
Advertisement charges	16,48,807	11,04,114
Exchange variation(Net)	75,069	7,41,633
Loss on Sale of Assets (Net)	-	95,89,503
Bank charges	29,36,505	16,56,602
Miscellaneous Expenses (Refer Note (i) below)	3,73,47,754	2,57,11,810
<b>Total</b>	<b>15,54,52,482</b>	<b>15,17,49,719</b>
Note:		
(i) Includes Excise Duty relating to the difference between the closing stock and opening stock amounting to Rs.1,295/- (P.Y Rs 2,71,309/-)		



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Particulars	Amount / Rs.	
	As at 31 March 2013	As at 31 March 2012
<b>27 a. Commitments</b>		
(i) Estimated amount of contracts remaining to be executed and not provided for in these accounts (net of advances) in respect of purchase of Tangible Fixed assets	47,57,63,871	3,44,01,113
(ii) Other Commitments	-	-
<b>b. Contingent liabilities in respect of</b>		
(i) Guarantees given by the Company to the Customs department on behalf of Titanium Equipment and Anode Manufacturing Company Ltd.	75,00,000	15,00,000
(ii) Income Tax, Sales tax, Excise and other demands against which the Company has filed appeals and for which no provision is considered required as the Company is hopeful of successful outcome in the appeals.	2,01,77,809	2,30,81,659

Sl No.	Name of the Statute	Nature of Dues	Amount /Rs.	Period (F.Y)	Forum where dispute is pending
1	The Central Sales Tax Act, 1956	Sales Tax	57,939 (57,939)	2003-2004	CTO, Chengalpet
2	The Finance Act, 1994	Service tax	7,19,046 (27,92,572)	January 2005 to June 2012	Commissioner (Appeals), Chennai
3	The Central Excise Act, 1944	Excise duty	55,35,015 (3,50,000)	April 2006 to June 2012	Commissioner (Appeals), Chennai
4	The Electricity Act, 2003	Fuel Surcharge (Refer Note 28 below)	- (1,98,81,148)	April 2010 to October 2010	Appellate Tribunal for Electricity, New Delhi
5	The Income-Tax Act, 1961	Income Tax (Refer Note 29 below)	1,38,65,809 -	2009-2010	Commissioner of Income Tax (Appeals) Chennai
			<b>2,01,77,809</b>		

Notes:

- (i) The amounts shown above represent best possible estimate carried on the basis of the available information. The uncertainties and possible reimbursement are dependent on the outcome of the various case proceedings which have been initiated by the Company or the claimants, as the case may be, and therefore cannot be predicted accurately.
- (ii) Figures in bracket indicate previous year figures.

**28.** Power and fuel includes charge towards the incremental fuel surcharge levy by the Electricity Department, Puducherry, amounting to Rs.4,94,51,407/- for the Year ended 31 March 2013 and also Rs.1,98,81,149/- debited towards the Incremental Fuel Surcharge levy by the Electricity Department, Puducherry, for the period from April to October, 2010, consequent to the Order dated 25 September 2012, of the Joint Electricity Regulatory Commission, for Goa and Union Territories.



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

29. (i) During the year, the Company received an order from the Income Tax Department demanding Rs. 2,30,79,800/- for the Financial Year 2009-2010 challenging and disallowing the claim of membrane as a deductible expenditure and the incurrence of the Sales Commission expenditure.
- (ii) In the aforesaid assessment order, Sales commission expenditure amounting Rs.2,93,25,806/- was disallowed by the department as not being genuine on account of preponderance of probabilities. The Company contends that these are genuine and valid transactions, and that the total amount which was actually paid to the Commission agents for the services rendered was Rs. 2,66,03,358/- and the balance amounts were paid towards quantity and other discounts provided to customers. The Company strongly believes that the disallowance has been incorrectly made by the Department based on certain assumptions on the method of working of the Commission agents and the question of genuineness of the aforesaid sales commission expenditure incurred by the Company is beyond doubt and such tax claims are not tenable. Also refer para (iii) below.
- (iii) Accordingly, the Company has also filed an Appeal against this order before the CIT (Appeals), Chennai, and based on the professional advice obtained by it in the matter, the Company is hopeful of a successful outcome of the Appeal. Hence, the net potential Income Tax liability (including the relevant interest) of Rs.1,38,65,809/- on this account, is disclosed under "Contingent Liabilities".
- (iv) Further, as at 31 March 2013, an amount of Rs.75,00,000/- has been paid by the Company against the above total disputed tax amount and stay has been granted by the Department for the balance amount of demand.
30. Cash Credit facilities are secured by exclusive first charge on all current assets of the Company, exclusive first equitable mortgage of factory land and building, second charge on the fixed assets of the Company and pledge of other assets of the Company. The Company has not utilised these Cash Credit facilities during the current period and in the previous year.
31. Provision for current tax for the year has been determined based on the total income of the company for the year ended 31 March 2013 and in accordance with the Income Tax Act, 1961, duly considering the deduction / exemption proposed to be claimed by the Company in the Return of Income. Further the tax charge for the current year includes an amount of Rs. 89,16,900/- (P.Y. 2,94,00,000/-) towards additional provision made by the management based on the reassessment of certain tax claims made in the past with respect to the ongoing assessments based on various developments and on the grounds of prudence.
32. As on 31 March 2013, based on and to the extent of information available with the Company regarding registration of suppliers as Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006, there are no amounts outstanding in respect of these vendors.

33. Value of Raw materials, Chemicals and Stores and Spares consumed :

Amount / Rs.

Particulars	2012-2013		2011-2012	
	Value	%	Value	%
<b>Raw Material and Chemicals:</b>				
Imported	-	-	-	-
Indigenous	4,17,57,936	100	7,62,73,635	100
<b>Total</b>	<b>4,17,57,936</b>	<b>100</b>	<b>7,62,73,635</b>	<b>100</b>
<b>Stores and Spares :</b>				
Imported	9,47,960	4	20,89,163	6
Indigenous	2,53,36,033	96	3,26,92,000	94
<b>Total</b>	<b>2,62,83,993</b>	<b>100</b>	<b>3,47,81,163</b>	<b>100</b>



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Particulars	2012 - 2013	2011 - 2012
	<b>Amount/Rs.</b>	Amount/Rs.
<b>34. Value of imports on CIF basis</b>		
Components, Stores and Spare parts	3,73,429	39,33,335
Capital goods	58,95,371	30,93,011
<b>Total</b>	<b>62,68,800</b>	<b>70,26,346</b>
<b>35. Expenditure in foreign currency (subject to withholding of tax where applicable)</b>		
Travelling expenses	3,71,059	3,82,971
Subscription / Membership Fee	72,345	4,12,155
Professional fees	-	6,60,753
<b>Total</b>	<b>4,43,404</b>	<b>14,55,879</b>
<b>36. Dividend remitted in foreign Currency</b>		
Number of Non- Resident Shareholders	2	3
Number of Shares held	46,58,868	52,25,771
Amount remitted	2,32,94,340	1,30,64,428
Financial Year to which relates	2012-13	2010-11
Nature of dividend	Interim	Final
<b>37. Earnings in foreign exchange</b>		
FOB value of exports	72,74,976	24,14,514
Testing Charges	26,36,528	4,06,088
Freight Recoveries	69,66,376	25,44,489
<b>Total</b>	<b>1,68,77,880</b>	<b>53,65,091</b>



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

**38. Employee Benefits**

**A. Defined Contribution Plans**

The Company makes Provident Fund and Superannuation Fund contributions which are defined contribution plans, for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised Rs. 41,53,553 (Year ended 31 March 2012 - Rs 36,63,463) for Provident Fund contributions and Rs. 11,69,537 (Year ended 31 March 2012 Rs. 8,63,545) for Superannuation Fund contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

**B.** The Company's obligation towards the Gratuity Fund is a defined benefit plan and is funded with Life Insurance Corporation of India. The details of actuarial valuation as provided by the Independent Actuary are given below:

	<b>2012 - 2013</b>	2011 - 2012
	<b>Rs.</b>	Rs.
<b>(I) Change in Benefit Obligation</b>		
Liability at the beginning of the year	1,90,83,739	1,55,04,395
Interest Cost	16,53,256	12,22,328
Current Service Cost	52,80,818	45,19,396
Benefit Paid / Payable	(14,66,225)	(6,57,822)
Actuarial (gain) on obligations	(35,22,663)	(15,04,558)
<b>Liability at the end of the year</b>	<b>2,10,28,925</b>	<b>1,90,83,739</b>
<b>(II) Fair value of Plan Assets</b>		
Fair value of plan assets at the beginning of the year	1,49,76,737	1,33,47,943
Expected Return on Plan Assets	28,18,862	24,26,591
Contributions	29,44,853	10,00,000
Benefit Paid	(14,66,225)	(6,57,822)
Actuarial (loss) on Plan Assets	(14,50,320)	(11,39,975)
<b>Fair value of plan assets at the end of the year</b>	<b>1,78,23,907</b>	<b>1,49,76,737</b>
<b>(III) Actual Return on Plan Assets</b>		
Actuarial (gain) on obligations	(35,22,663)	(15,04,558)
Actuarial loss on Plan Assets	14,50,320	11,39,975
<b>Actual Return on Plan Assets</b>	<b>(20,72,343)</b>	<b>(3,64,583)</b>
<b>(IV) Amount Recognised in the Balance Sheet</b>		
Liability at the end of the year	2,10,28,925	1,90,83,739
Fair Value of Plan Assets at the end of the year	1,78,23,907	1,49,76,737
<b>Amount Recognised in the Balance Sheet</b>	<b>32,05,018</b>	<b>41,07,002</b>
<b>(V) Expenses Recognised in the Statement of Profit and Loss</b>		
Current Service Cost	52,80,818	45,19,396
Interest Cost	16,53,256	12,22,328
Expected Return on Plan Assets	(28,18,862)	(24,26,591)
Net Actuarial loss/(Gain) to be recognised	(20,72,343)	(3,64,583)
<b>Expense Recognised in the Statement of Profit and Loss</b>	<b>20,42,869</b>	<b>29,50,550</b>
<b>(VI) Balance Sheet Reconciliation</b>		
Opening Net Liability	41,07,002	21,56,452
Expense as above	20,42,869	29,50,550
Employers Contribution	(29,44,853)	(10,00,000)
<b>Amount Recognised in Balance Sheet</b>	<b>32,05,018</b>	<b>41,07,002</b>
<b>(VII) Actuarial Assumptions : For the year</b>		
Discount Rate	8.50%	8.00%
Attrition Rate	3.00%	3.00%
Rate of Return on Plan Assets	8.50%	8.50%
Salary Escalation	8.00%	8.00%
Mortality	LIC(94-96)	LIC(94-96)



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Notes :

a.	The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors.		
b.	Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated life of the obligation.		
c.	Experience Adjustments		
	<b>Particulars</b>	<b>2012 - 2013</b>	<b>2011 - 2012</b>
	On plan liability loss/(gain)	(35,22,663)	(15,04,558)
	On plan asset loss/(gain)	14,50,320	11,39,975
	Present value of benefit obligation	2,10,28,925	1,90,83,739
	Fair value of plan assets	1,78,23,907	1,49,76,737
	Excess of obligation over plan assets	32,05,018	41,07,002
	Details relating to experience adjustments are provided to the extent available.		
d.	The plan assets comprise of insurer managed funds for which details of portfolio are not available.		
e.	Estimated amount of contribution in the immediate next year is Rs. 25,00,000/-		

**C. Long Term Compensated absences**

The key assumptions used in the computation of provision for long term compensated absences as provided by the independent actuary are given below:

Particulars	2012 - 2013	2011 - 2012
Discount Rate	8.50%	8.00%
Salary Escalation	8.00%	8.00%
Attrition Rate	3.00%	3.00%



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

**39. Segment Information**

The Company has identified business segments as its primary segment and geographical segments as its secondary segment.

a) Primary segment reporting (by Business Segments)

Business segments are primarily Chlor Alkali segment and Other segment.

Particulars	2012 - 13			
	Business segments		Eliminations	Total
	Chlor Alkali	Others		
	Rs	Rs	Rs	Rs
Revenue	115,77,71,865 (78,68,23,073)	15,41,408 (6,25,677)	- -	115,93,13,273 (78,74,48,750)
Inter-segment revenue	-	4,53,69,484 (1,46,49,443)	- -	4,53,69,484 (1,46,49,443)
<b>Total</b>	115,77,71,865 (78,68,23,073)	4,69,10,892 (1,52,75,120)	- -	120,46,82,757 (80,20,98,193)
Segment result	32,92,09,925 (10,48,60,877)	5,23,758 (69,659)	- -	32,97,33,683 (10,49,30,536)
Unallocable expenses				- -
Operating income				32,97,33,683 (10,49,30,536)
Other income				1,85,68,304 (1,36,10,857)
Profit before taxes				34,83,01,987 (11,85,41,393)
Tax expense				11,34,78,016 (4,37,99,597)
Profit for the year				23,48,23,971 (7,47,41,796)



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Particulars	2012 - 13		
	Business segments		Total
	Chlor Alkali	Others	
	Rs	Rs	Rs
Segment assets	96,66,54,829 (83,87,79,928)	2,41,83,220 (3,87,12,387)	99,08,38,049 (87,74,92,315)
Unallocable assets			36,52,80,225 (24,08,70,319)
Total assets			135,61,18,274 (111,83,62,634)
Segment liabilities	16,81,52,006 (8,94,61,711)	33,61,038 (23,56,946)	17,15,13,044 (9,18,18,657)
Unallocable liabilities			12,44,95,002 (14,79,59,842)
Total liabilities			29,60,08,046 (23,97,78,499)
<u>Other information</u>			
Capital expenditure (allocable)	14,66,89,506 (2,21,43,988)	3,38,993 (4,49,388)	14,70,28,499 (2,25,93,376)
Depreciation and amortisation (allocable)	6,58,86,539 (6,71,53,490)	9,20,568 (9,15,427)	6,68,07,107 (6,80,68,917)

b) The geographic segments details, which is considered as the secondary segment as defined in the aforesaid Standard are as follows:

Geographical Segment	Revenues for the year ended 31 March 2013	Segment assets as at 31 March 2013	Capital expenditure incurred during the year ended 31 March 2013
	Rs	Rs	Rs
India	114,94,01,769 (78,46,28,148)	132,45,11,479 (111,77,68,680)	14,70,28,499 (2,25,93,376)
Others	99,11,504 (28,20,602)	3,16,06,795 (5,93,954)	- -

Note: Figures in bracket relate to the previous year



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

**40. Related party disclosures**

a) List of Related parties and description of relationship

- (i) Individuals exercising Significant influence      Dr.C.H.Krishnamurthi Rao - Chairman (\*) (Upto 19 January 2012)  
Mr. Suresh Krishnamurthi Rao - Chairman (with effect from 16 April 2012)
- (ii) Relatives of above      Mrs. K.M. Padma (Mother of Mr. Suresh Krishnamurthi Rao)
- (iii) Entities in which persons listed in (i)      Dr Rao Holdings Pte Ltd  
and (ii) above exercise significant influence      Titanium Equipment and Anode Manufacturing Company Limited  
Teamec Chlorates Limited

(\*) Dr.C.H.Krishnamurthi Rao passed away on 19 January 2012

Note: Related party relationship are as identified by the management and relied upon by the auditors

b) Transactions with related parties :

Nature of Transactions	Individuals exercising Significant influence and their relatives	Entities in which persons listed in (a)(i) and (ii) above exercise significant influence		
		Dr Rao Holdings Pte Ltd	Titanium Equipment and Anode Manufacturing Company Limited	Teamec Chlorates Limited
<b>I. Transactions during the year</b>	Rs.	Rs.	Rs.	Rs.
<b><u>a) Income</u></b>				
Sale of Products	-	-	1,60,677	64,58,151
	-	-	(1,00,772)	(1,58,80,346)
Interest on Inter Corporate Deposit	-	-	-	46,84,935
	-	-	-	-
<b><u>b) Expenditure</u></b>				
Purchase of Materials	-	-	89,00,962	25,506
	-	-	(18,98,751)	(4,00,750)
Annual Maintenance Charges	-	-	67,41,600	-
	-	-	(66,18,000)	-
Royalty Expenses	-	-	5,03,834	-
	-	-	(2,48,738)	-
Service Charges	-	-	-	-
	-	-	(16,32,903)	-
Lease Rent	-	-	67,787	-
	-	-	(66,180)	-
Commission				
- Dr. C.H. Krishnamurthi Rao	-	-	-	-
	(15,38,078)	-	-	-
- Mr. Suresh Krishnamurthi Rao	25,56,242	-	-	-
	(5,00,000)	-	-	-



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Nature of Transactions	Individuals exercising Significant influence and their relatives	Entities in which persons listed in (a)(i) and (ii) above exercise significant influence		
		Dr Rao Holdings Pte Ltd	Titanium Equipment and Anode Manufacturing Company Limited	Teamec Chlorates Limited
	Rs.	Rs.	Rs.	Rs.
<b>c) Others</b>				
Sale of Plant and Machinery	-	-	11,80,454	9,57,714
	-	-	-	(2,20,29,035)
Purchase of Plant and Machinery	-	-	8,25,172	-
	-	-	(70,37,270)	-
Inter Corporate Deposit placed	-	-	-	10,00,00,000
	-	-	-	-
Others Advances	-	-	1,74,012	1,47,890
	-	-	(97,224)	(1,49,270)
Guarantee given to Customs (Refer Note 27)	-	-	60,00,000	-
	-	-	(15,00,000)	-
Dividend paid	-	2,28,57,340	44,02,290	-
	-	(1,14,28,670)	(22,01,145)	-
- Dr. C.H. Krishnamurthi Rao	-	-	-	-
	(14,17,258)	-	-	-
- Mr. Suresh Krishnamurthi Rao	43,99,020	-	-	-
	(7,82,253)	-	-	-
- Mrs. K.M. Padma	27,32,780	-	-	-
	(13,66,390)	-	-	-
<b><u>II.Balances Outstanding at the end of the year</u></b>				
Trade Receivable	-	-	-	-
	-	-	-	(6,93,447)
Other Receivable	-	-	-	-
	-	-	-	(3,12,67,407)
Payable	-	-	37,90,500	-
	-	-	-	(2,42,200)
Guarantee given to Customs (Refer Note 27)	-	-	75,00,000	-
	-	-	(15,00,000)	-
Rental Deposit	-	-	3,00,00,000	-
	-	-	(3,00,00,000)	-
Inter Corporate Deposit	-	-	-	10,00,00,000
	-	-	-	-

Figures in the bracket indicate previous year figures.



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

**41. Operating Leases**

The Company has taken on lease certain vehicles under non cancellable operating lease agreements. The rental expense under such operating leases was Rs.73,10,567 /- (Previous Year Rs.52,90,536/-). Future minimum lease payments on non cancellable lease agreements as at 31 March 2013 are as follows :

Amount/Rs.

Particulars	As at 31 March 2013	As at 31 March 2012
Not later than 1 year	38,02,355	73,10,567
Later than 1 year and not later than 5 years	-	38,02,355
Later than 5 years	-	-
<b>Total</b>	<b>38,02,355</b>	<b>1,11,12,922</b>

**General description of lease terms:**

- (i) Lease rentals are charged on the basis of agreed terms.
- (ii) Vehicles are taken on lease over a period of 24 to 36 months.

**42. Earnings Per Share**

Net Profit for the year has been used as the numerator and number of shares has been used as denominator for calculating the basic and diluted earnings per share.

Amount/Rs.

Particulars	2012 - 2013	2011 - 2012
Face Value Per Share	5	5
Net Profit after Tax	23,48,23,971	7,47,41,796
Weighted average Number of Shares	91,71,697	91,71,697
Basic Earnings per Share	25.60	8.15
Diluted Earnings per Share	25.60	8.15

**43.** The Company has not used any derivative instruments to hedge its foreign currency exposures. The details of foreign currency balances which are not hedged as at the balance sheet date are as below:

Particulars	Currency	As at 31 March 2013		As at 31 March 2012	
		Amount in Foreign Currency	Amount in INR	Amount in Foreign Currency	Amount in INR
Capital Creditors	EURO	1,85,000	1,34,84,650	1,85,000	1,27,98,300
Capital Advances	CHF	2,44,100	1,46,25,862	-	-
	JPY	2,15,00,000	1,43,12,013	-	-
Trade Payables	GBP	-	-	406	33,528
Trade Receivables	USD	49,115	26,68,920	11,722	5,93,954



**NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

44. During the year, pursuant to the approval of shareholders through postal ballot, the Company has altered the object clause of the Memorandum of Association to include the undertaking of trading business in sugar and its allied products. However, as at 31 March 2013, no activity has been undertaken on this account.
45. Other Current Assets as at 31 March 2013, represents interest accrued on fixed deposits placed with banks amounting to Rs. 14,95,227/- (P.Y Rs 10,50,101/-)
46. Previous year figures have been regrouped or reclassified wherever necessary to conform to current years classification.
47. The Board of Directors has reviewed the realisable value of all current assets of the Company and has confirmed that the value of such assets in the ordinary course of business will not be less than the value at which these are recognised in the financial statements. Further, the Board, duly taking into account all the relevant disclosures made, has approved these financial statements for the year ended 31 March 2013 in its meeting held on 11 April 2013.

**For and on behalf of the Board of Directors**

**C. S. Ramesh**  
**Director**

**Nitin S. Cowlagi**  
**Vice President - Finance**

**Suresh Krishnamurthi Rao**  
**Chairman**

**S.C. Sai Narayanan**  
**Company Secretary**

**Place : Chennai**  
**Date : 11 April 2013**

**CAL DONATED R.O. PLANTS TO PROVIDE SAFE DRINKING WATER TO TWO LOCAL SCHOOLS IN PUDUCHERRY.**





**Chemfab alkalis limited**

Regd. Office : 'Team House', GST Salai, Vandalur, Chennai-600 048.

**ATTENDANCE SLIP**

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

I/We\* hereby Record my/our presence at the 30<sup>th</sup> Annual General Meeting of Chemfab Alkalis Limited on 23<sup>rd</sup> May, 2013 at 10.00 AM at the Registered Office 'Team House', GST Salai, Vandalur, Chennai-600 048.

..... Full Name of the Shareholder (in block letters)	..... Signature
Folio No. / DP, Client ID	
..... Full Name of the Proxy (in block letters)	..... Signature

**Notes:**

- \*Delete if not applicable
- Shareholders who come to attend the meeting are requested to bring their copies of the Annual Report and their proof of identity.
- Shareholders having any queries on accounts are requested to send them 10 days in advance of the date of AGM to the Company to enable it to collect the relevant information.



**Chemfab alkalis limited**

Regd. Office : 'Team House', GST Salai, Vandalur, Chennai-600 048.

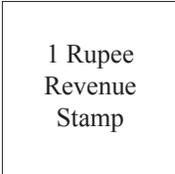
**PROXY**

Folio No. / DP, Client ID

I/We\* .....  
of .....being a Member/  
Members\* of Chemfab Alkalis Limited hereby appoint .....  
of.....or failing him/her.....  
.....of .....as my/our\* Proxy  
in my/our\* absence to attend and vote for me/us\* and on my/our\* behalf at the Annual General Meeting of the  
Company, to be held at 10.00 AM on 23<sup>rd</sup> May 2013 and at any adjournment thereof.

As Witness set my/our hand/hands\* this ..... day of .....2013

Signature (s).....



Note : The Proxy must be deposited at the Registered Office of the Company 48 hours before the time fixed for holding the meeting. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

\* Delete if not applicable





**FORM A**  
**Format of covering letter of the annual audit report to be filed with  
the stock exchanges**

1.	Name of the Company:	CHEMFAB ALKALIS LIMITED
2.	Annual financial statements for the year ended	31 March 2013
3.	Type of Audit observation	<p style="text-align: center;"><b><u>AUDIT OBSERVATION</u></b></p> <p>(i) Matter of Emphasis (As per <b>INDEPENDENT AUDITORS' REPORT</b>)</p> <p>We draw attention to Note 29 (ii) to the financial statements relating to the disallowance of Sales Commission by the Revenue Authorities for the Financial Year 2009-10 and the potential Income Tax liability (including the relevant interest) of Rs.1,38,65,809/- on such disallowance being disclosed under "Contingent Liabilities" for the reasons stated in the said Note.</p> <p>Our opinion is not qualified in respect of this matter.</p> <p style="text-align: center;"><b><u>MANAGEMENT RESPONSE</u></b></p> <p><b>Extracted from Note 29 (ii) to Financial statements for the year ended 31 March 2013</b></p> <p>Per Income tax assessment order for the Financial year 2009-10 received during the year, Sales commission expenditure amounting Rs.2,93,25,806/- was disallowed by the department as not being genuine on account of preponderance of probabilities. The Company contends that these are genuine and valid transactions, and that the total amount which was actually paid to the Commission agents for the services rendered was Rs. 2,66,03,358/- and the balance amounts were paid towards</p>



		<p>quantity and other discounts provided to customers. The Company strongly believes that the disallowance has been incorrectly made by the Department based on certain assumptions on the method of working of the Commission agents and the question of genuineness of the aforesaid sales commission expenditure incurred by the Company is beyond doubt and such tax claims are not tenable.</p> <p>Accordingly, the Company has also filed an Appeal against this order before the CIT (Appeals), Chennai, and based on the professional advice obtained by it in the matter, the Company is hopeful of a successful outcome of the Appeal. Hence, the net potential Income Tax liability (including the relevant interest) of Rs.1,38,65,809/- on this account, is disclosed under "Contingent Liabilities".</p>
4.	Frequency of observation	Appearing for first time
5.	<p>To be signed by-</p> <ul style="list-style-type: none"> <li>• CEO/ Managing Director</li> <li>• CFO</li> <li>• Audit Committee Chairman</li> <li>• Auditor of the company</li> </ul>	<p>Not Applicable</p> <p><i>For Chemfab Alkalis Limited</i></p> <p>Nitin. S. COWRAGI Vice President (Finance)</p> <p><i>[Signature]</i></p> <p>Refer our Audit report dated 11 April 2013 on the financial statements of the Company For DELOITTE HASKINS &amp; SELLS Chartered Accountants (Firm Registration No.008072S)</p> <p><i>[Signature]</i> Sriraman Parthasarathy Partner Membership No. 206834 CHENNAI, APRIL 11, 2013</p>

