

CARBON COMPETENCE

Forward-looking statement

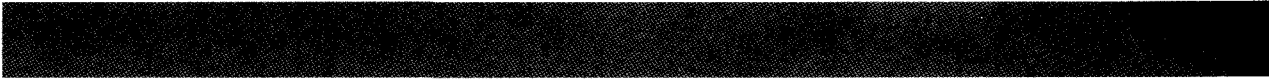
In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in

connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Corporate identity 2 Our achievements over the years 4 Highlights, 2007-08 6
Chairman’s review 8 Business strategy 10 Our strengths 11 CEO’s review 12 Business
segment review 16 Industry & business review 32 Financial review 42 Risk management 48
Himadri’s driving force 52 Report of the Board of Directors 54 Management discussion and
analysis 60 Corporate governance 54 Financial section 78



At Himadri Chemicals, we were primarily a coal tar pitch manufacturing company.

We have now extended to the manufacture of various types of coal tar by-products and derivatives.

This extension will grow our revenues on the one hand. And derisk our business on the other.

At Himadri, we made this forward integration a reality through an overriding capability.

Core carbon competence.

Vision

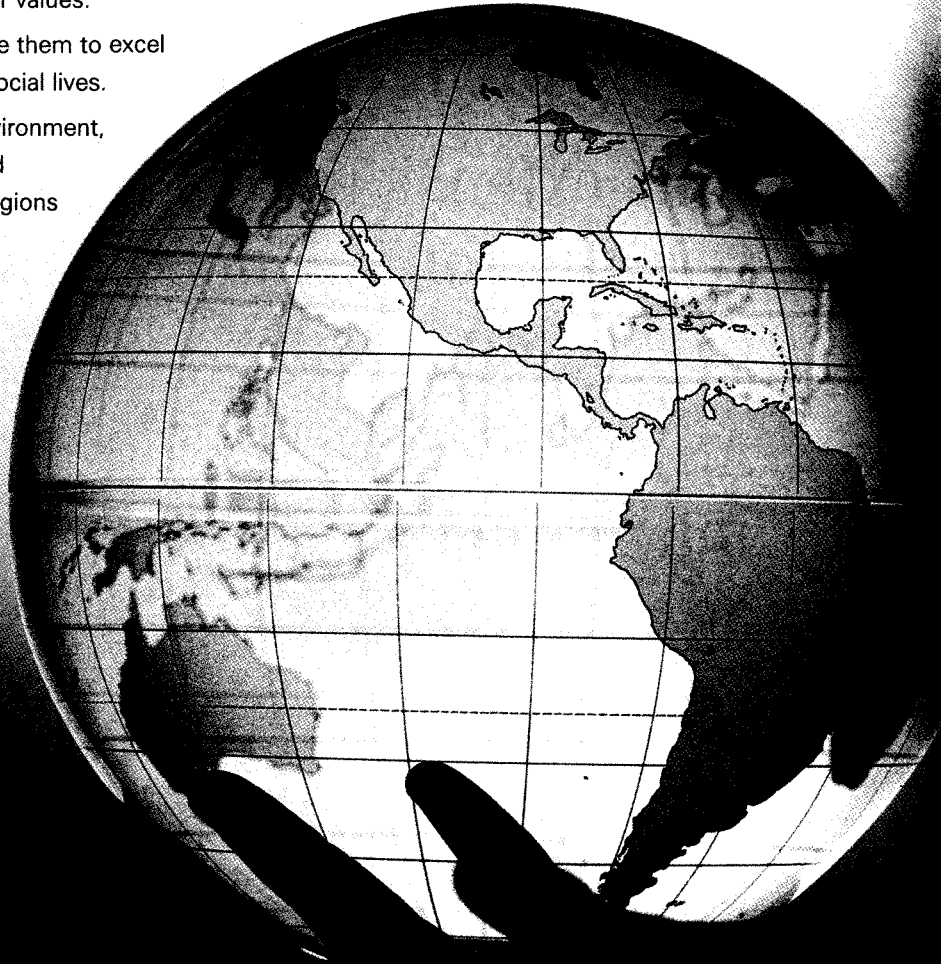
To become a globally acclaimed leader in coal tar-based products by adopting appropriate eco-friendly technologies and enhancing core capabilities through continuous product improvement, technical innovations and customer satisfaction.

Mission

- Ensure customer satisfaction through building on our core competencies of developing products, processes and people towards achieving global standards of excellence.
- Be a cost leader, unleashing employee potential to satisfy stakeholders while being a responsible corporate citizen and adhering to our values.
- Develop employees and encourage them to excel in their professional, personal and social lives.
- Be proactive in conserving the environment, maintaining high levels of safety and addressing social concerns in the regions in which we operate.

Objectives 2010

- Emerge among the top three global producers of coal tar products through organic and inorganic growth
- Emerge as the lowest cost and preferred supplier of coal tar products in the world
- Commission an integrated state-of-the-art coal tar distillation complex with a forward extension into oil, naphthalene and other derivatives
- Commission the largest manufacturing fully integrated base for advanced carbon material in the world



Himadri Chemicals leveraged its rich carbon knowledge and experience to spin off three growing and profitable businesses – coal tar pitch, advanced carbon material and carbon black – that represent critical inputs in the downstream aluminium, lithium-ion battery and tyre industries.

Profile

- Himadri Chemicals caters to around 70 percent of the Indian aluminium and graphite electrode industry's requirements of coal tar pitch.
- The Company has extended to the manufacture of advanced carbon; it has also commissioned a plant to manufacture carbon black with a captive power plant.
- The Company's brand-enhancing clients comprise National Aluminium Company Limited, Hindalco Industries Limited, Bharat Aluminium Company Limited, Vedanta Aluminium Limited, Graphite India Limited, HEG Limited, Dubai Aluminium Company Limited, Pt. Indonesia Asahan Aluminium, SGL Carbon SA, Aluminium of Greece, Graftech International Limited and Osaka Gas Chemicals Company Limited, among others.

Products

- Coal tar pitch is used in the manufacture of anodes used in extracting aluminium from alumina; it is also used for impregnating and as binder in graphite electrodes in the electric arc furnace;
- Naphthalene is used in the manufacture of dye and dye intermediates, super plasticizers and

tanning agents.

- Oils find extensive application in paint solvents, carbon black, wood preservation and as a substitute for furnace oil.
- Advanced carbon material is used in making anodes for lithium-ion batteries.
- The Company operates two windmills (2.5MW) in the Dhule district of Maharashtra.

Presence

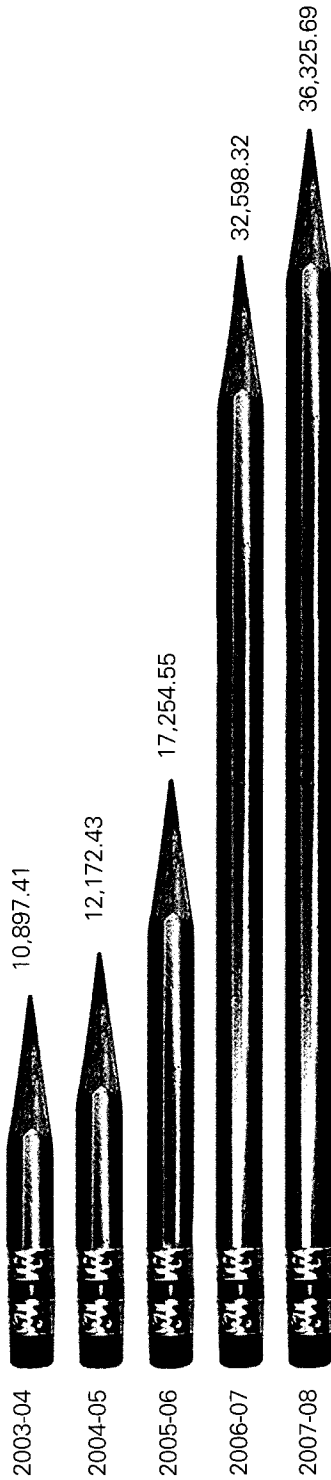
- The Company is headquartered in Kolkata
- It possesses five facilities at four locations – three in West Bengal (one in Hooghly, two in Howrah), one in Visakhapatnam (Andhra Pradesh) and one in Korba (Chhattisgarh)
- A proposed distillation facility in China.

Pride

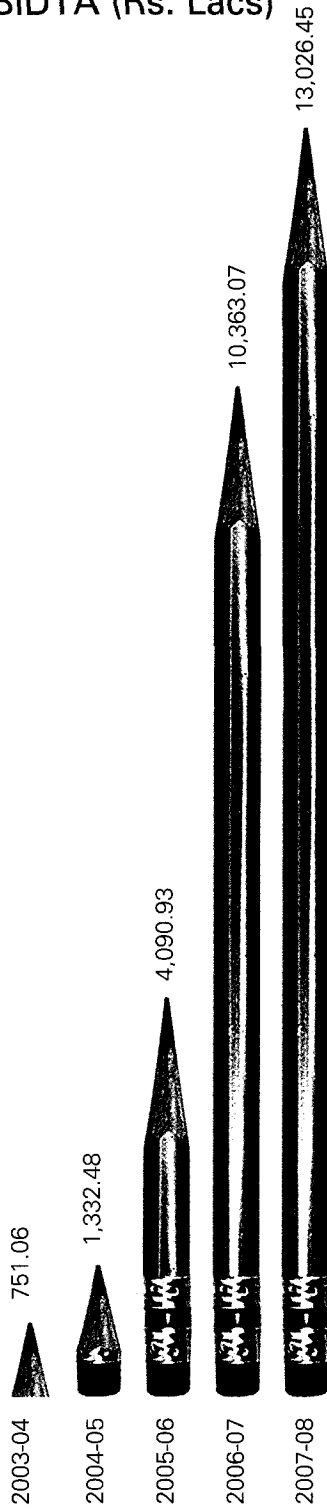
- Brand-enhancing certifications reinforce Himadri Chemical's statistical process control technique, leading to consistent product quality, across 22 chemical and physical parameters
- The Company was assigned the corporate credit rating of 'CCR AA-' and commercial paper rating of 'P1+' by CRISIL.

Our achievements over the years

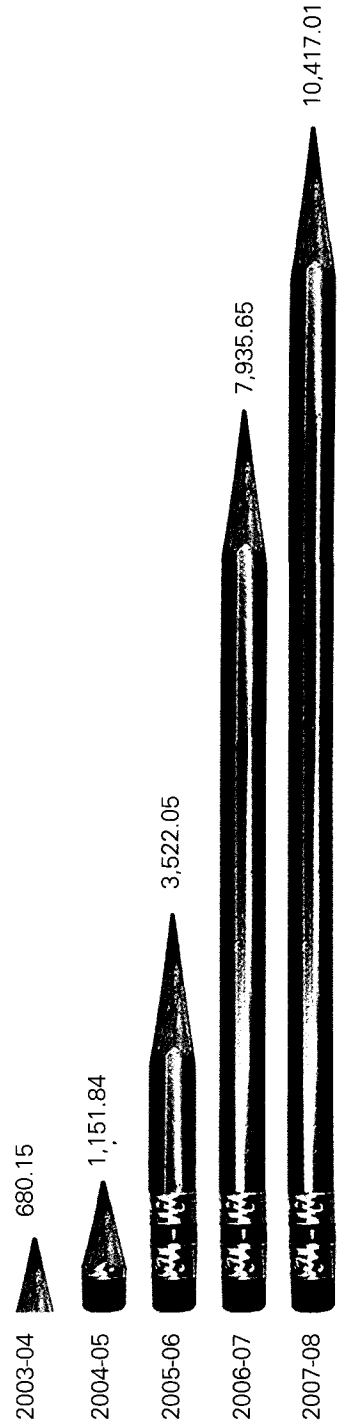
Revenue (Rs. Lacs)



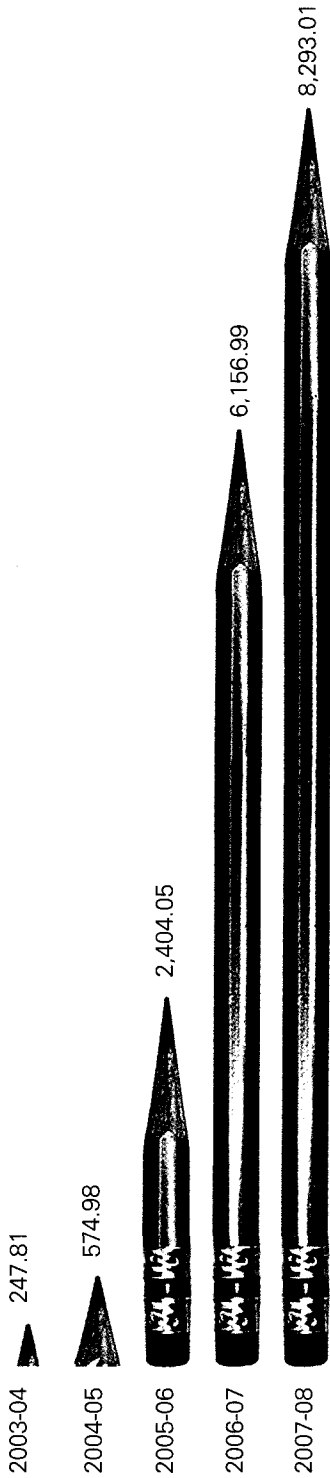
EBIDTA (Rs. Lacs)



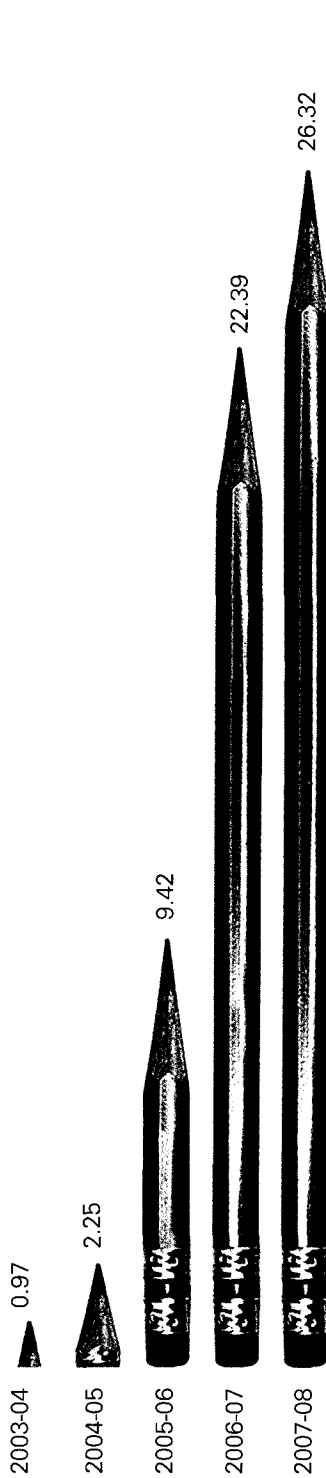
Cash profit (Rs. Lacs)



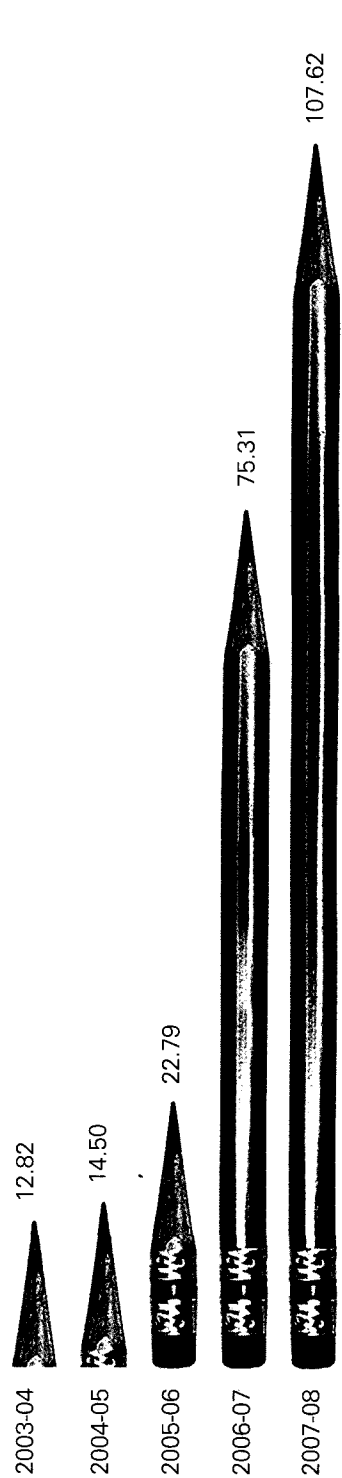
PAT (Rs. Lacs)



EPS (Rs.)



Book value (Rs.)



Highlights, 2007-08

Numbers

- Reported a 10.06 percent increase in turnover to Rs. 43,001.33 lacs
- Reported a 25.70 percent increase in EBIDTA to Rs. 13,026.45 lacs
- Reported a 31.27 percent increase in cash profit to Rs. 10,417.01 lacs
- Reported a 34.69 percent increase in net profit to Rs. 8,293.01 lacs

Operations

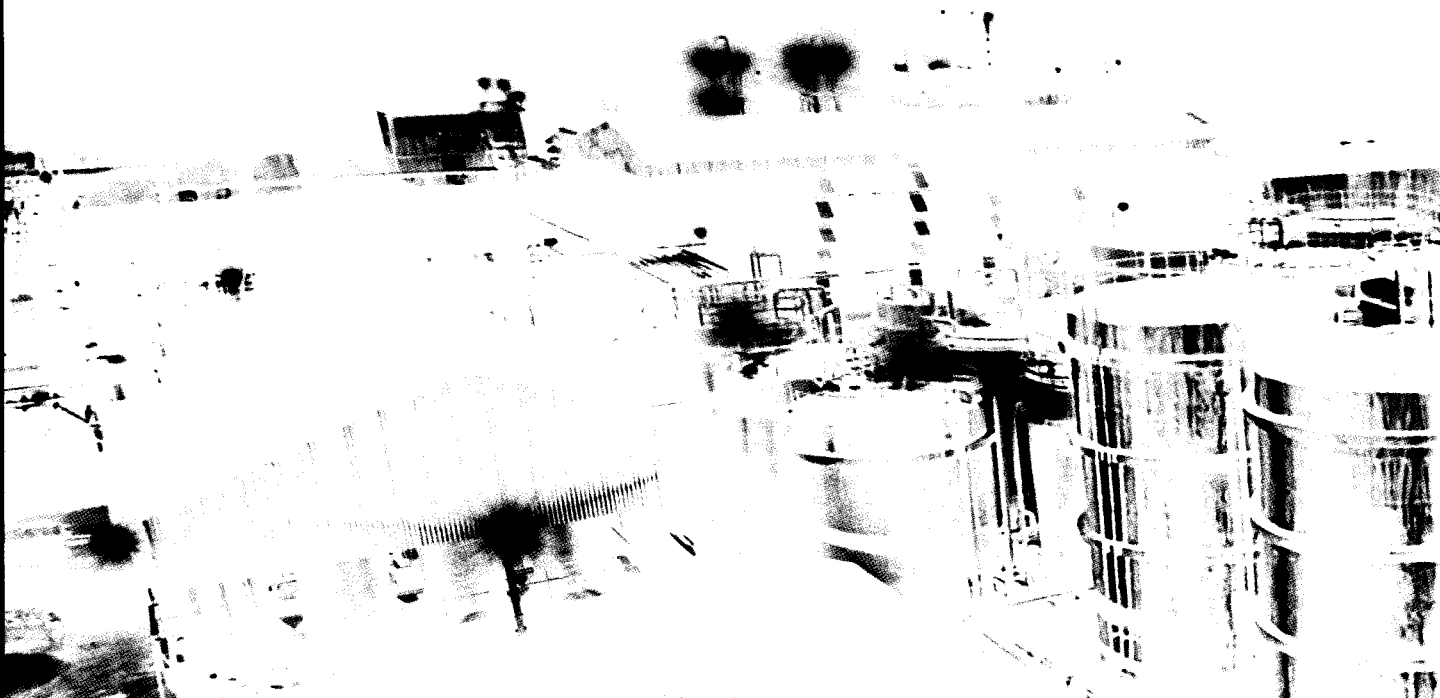
- The Company achieved 106 percent capacity utilisation.
- The Company raised entry barriers in the production of coal tar pitch through the manufacture of low-cost, high quality products through in-house technology
- The Company commissioned commercial scale production of advanced carbon materials, which find

use in lithium-ion batteries, through a 100 percent EOU status.

- The Company enhanced production yield on the one hand and reduced raw material costs, power costs and fuel consumption on the other
- The Company emerged as the only corporate outside Japan to develop in-house technology to produce quality advanced carbon materials.

Project management

- The Company is in the process of expanding operational capacities across all business verticals.
- The Company entered into a joint venture to set up a greenfield coal tar pitch plant in Longkou (China) to service China, the Middle East, CIS and Africa, as a part of its organic growth strategy.
- The Company identified a coal tar distillation unit, for acquisition in China, as a part of its inorganic growth strategy.



- The Company commissioned its melting plant in Korba, during 2007-08 and plans to build dedicated melting facilities near major customers' plants to accelerate just-in-time delivery.
- The Company is setting up carbon black plant at Mahistikry, Hooghly.
- The Company is setting up a 12 MW power plant from waste heat gas, which will help it earn carbon credits.
- The Company is setting up a facility for using waste heat gas as a fuel for coal tar distillation instead of furnace oil. This will reduce the processing cost and help it earn carbon credit.
- The Company will develop a liquid terminal in Longkou (China) to export liquid pitch.

Fiscal management

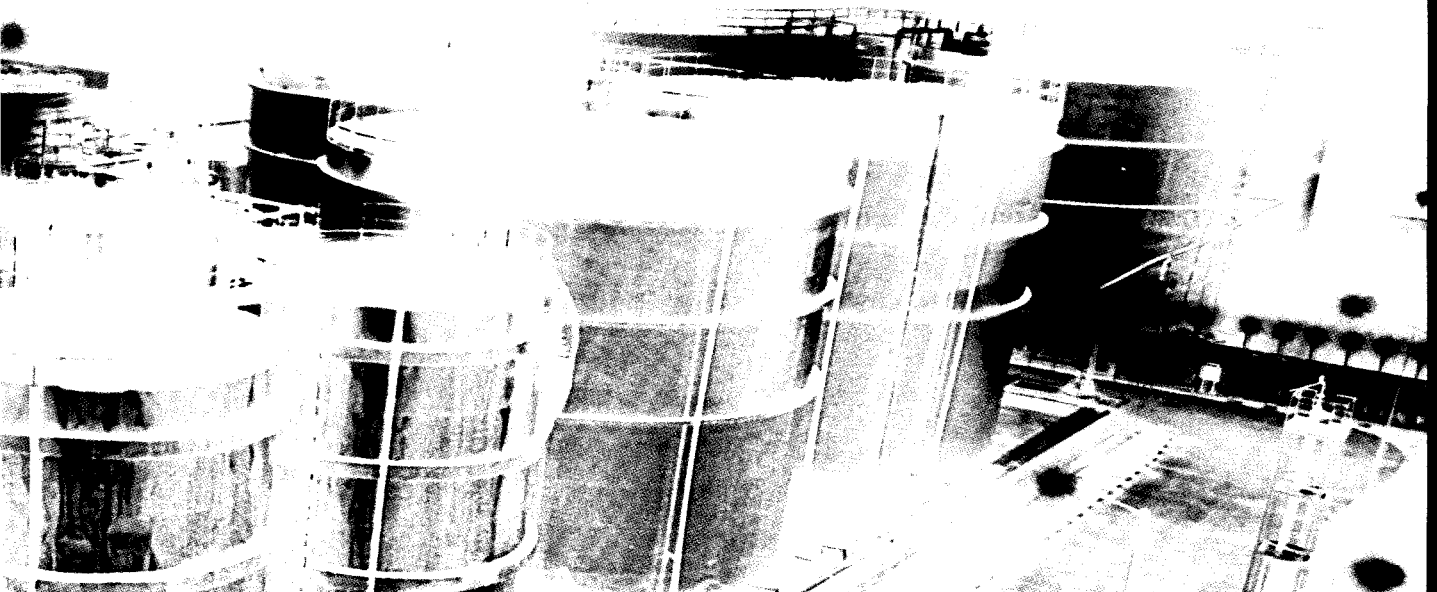
- In December 2007, Himadri enhanced its equity base by issuing 23,50,000 warrants to promoters and

4,12,000 warrants to Citigroup Venture Capital at a price of Rs. 426 per warrant, convertible into an equal number of shares.

- It strengthened its debt-equity ratio from 0.76 in 2006-07 to 0.63 in 2007-08 and interest cover from 8.10 to 10.51 in 2007-08.

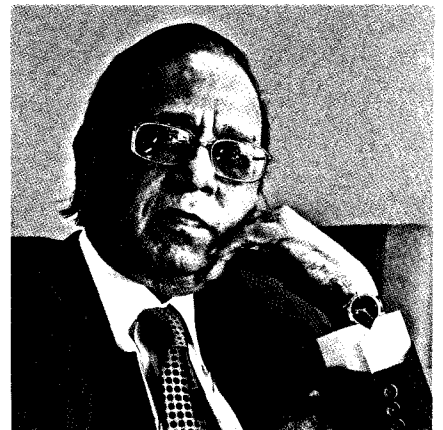
Marketing

- The Company enhanced exports by 463.88 percent to Rs. 4,568.25 lacs in 2007-08
- It introduced carbonised pitch during the year under review, which is a value added product.
- It maintained robust client relationships through consistently reliable product quality
- It is not just into marketing coal tar pitch as per the specifications of customers. It also provides specialised after-sales service through its experienced team who work close by to improve anode quality.



Chairman's overview

We have drawn a blue print to transform ourselves from a single product company to multi-product organisation by 2009-10



This is an interesting and opportune time to be communicating with you. The Company is perched at an inflection point in its existence. For years, we were principally a coal tar pitch Company with a marginal presence in the manufacture of profitable by-products.

In 2007-08, we made a significant extension in our identity: we extended from a predominantly single product manufacture to the manufacture of advanced carbon material; in 2008-09, we expect to move into the manufacture of carbon black, even as we are still engaged in expanding our coal tar pitch capacity within India and now in China.

The Company is perched at an inflection point in its existence.

These rapid moves on the x- and y-axis are laying the foundation of a compelling business model, which I will explain as follows:

We strengthened our EBIDTA from

in 2007-08.

Value-added products

Carbon product company

Rich product diversity

Effective cost saver

Himadri Chemicals

Deep technology competence

Protecting our prospects

Different manufacturing geographies

Low-cost business model

The result of this interplay (most initiatives were in place during the last financial year) was that we grew our revenues from Rs. 32,598.32 lacs in 2006-07 to Rs. 36,325.69 lacs in 2007-08 and strengthened our EBIDTA from Rs.10,363.07 lacs to Rs. 13,026.45 lacs during the period.

At Himadri, as we strengthen this interplay, we will grow our business in scale and quality with sustainable implications over the coming years.

Sincerely

Mr D.P. Choudhary

Business strategy

Strengthening local presence

Set up dedicated facilities closer to the customer in Korba, Chhattisgarh (near the Balco plant)

Global leader in coal tar by-product

Organic and inorganic growth - Established greenfield manufacturing facility in the People's Republic of China and liquid pitch terminals in Chinese ports to strengthen its supply chain; acquired an existing coal tar distillation plant, located in proximity of raw material sources.

- Sourced cheaper raw material through JVs in China
- Ensured demand and supply stability

Catered to increasing demand in India, the Middle East, South Africa and Australia

Expand products range

Upgraded plants to make them fully integrated coal tar distillation complexes comprising high-margin, value-added products catering to diversified industries

Embarked on a forward integration to make carbon black from oil with an installed capacity of 50,000 MTPA and a 12 MW power plant from waste heat gas

Advanced carbon material

Super plasticizer

Needle pitch coke

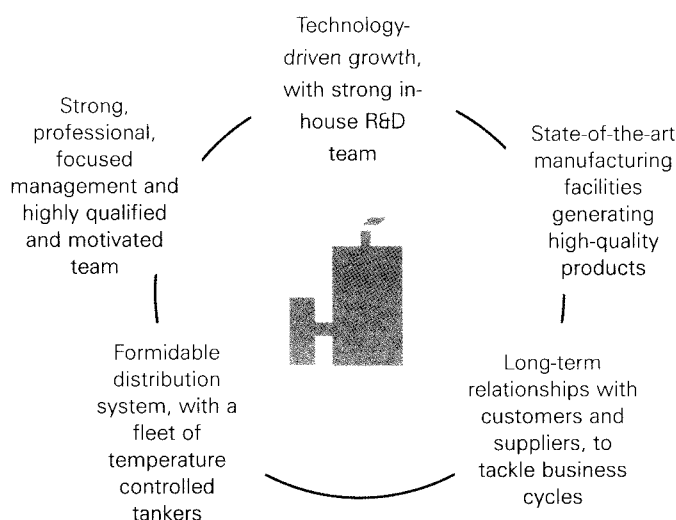
Various high-value products from oils

Effective cost management

Positioned as the lowest-cost producer

Leveraged extensive R&D to reduce fuel consumption, optimise raw material mix and expand the value-added products range

Our strengths



Aggressive organic and inorganic growth to achieve our goals

Growth drivers

Maintaining domestic leadership
Linked to domestic aluminium and steel sectors

International expansion
Eastern and western world

Product extension
Advanced carbon material
High-margin downstream segments carbon black
Oil and naphthalene derivatives

Growth drivers

The Company inked an MoU with Qatar Aluminium Ltd to supply a substantial part of Qatar Aluminium's pitch requirements, warranting assured sales for expanded capacities.

More MoUs and sales tie-ups are at a negotiation stage.

Using oil as fuel for coal tar distillation but will extend to the use of waste heat gas generated in manufacturing units as fuel for the distillation of coal tar, resulting in lower operations cost and carbon-credit eligibility.

Instituted a fully integrated process to utilise waste generated from one division into productive economical use.

review

Mr. Anurag Choudhary,
CEO of Himadri Chemicals,
reviews the Company's
performance and previews the
organisation's direction



“Our effective integration, cost leadership, in-house technology leverage and production efficiencies will enhance our turnover, profits and shareholder value in 2008-09 and beyond.”

Q: Were you pleased with the working of the Company in 2007-08?

A: It was a satisfactory year from a couple of important perspectives. First, even with an 11.43 percent increase in our topline we were able to achieve a 34.69 percent increase in our bottomline during the year under review. Secondly, we strengthened our business through initiatives that will result in a progressive rise in turnover and profits. So my answer to the question is this: our big success in 2007-08 was reflected in our ability to strengthen our business for the moment and foreseeable future.

Our big success in 2007-08 was reflected in our ability to strengthen our business for the moment and foreseeable future.

Q: In what specific ways did the Company strengthen its business for the future?

A: It was in 2006-07 that we announced that our intention to extend our core carbon competence into the manufacture of advanced carbon material, which enjoys downstream applications in the manufacture of lithium-ion batteries. This was a complex and closely-guarded technology; no company outside Japan possesses this knowledge. I am pleased to inform our shareholders that we succeeded in creating this product on a fully commercial basis from January 2008, with completely in-house technology. Going ahead, we expect to significantly enhance the capacity of our 100 percent EOU and carve out a fair share of the global market.

Q: What were the other business-strengthening initiatives in 2007-08?

A: In the manufacture of coal tar pitch we have for long imported a part of our raw material requirement from China. We process this material within India, market the end-product within the country and export it to various countries. In view of the

rising cost of oil and freight, we recognised that if this business model is expanded to China itself we would save on costs and enjoy additional margins for exports made from that country. In view of this, we embarked on the creation of a distillation plant in China in 2007-08, which we will commission during 2009-10.

This port-based plant in China will be advantageously placed: it will source off grade raw material from proximate locations, convert with efficiency, supply the end-product to users within China and export the rest to users in the Middle East, South East Asia, South Africa and Australia, among others. At Himadri, we see the Chinese plant strengthening our access to low-cost raw material, enhancing our marketing flexibility and sharpening our responsiveness to market dynamics.

There are some other factors that accelerated our decision-making: the market for aluminium in China is growing annually at around 25 percent during 2007, the coal tar pitch available in that country is not of a standard quality, the demand for a better quality raw material from

Chinese aluminium manufacturers is rising and we have already demonstrated an ability to manufacture a high quality of coal tar pitch. By a logical extension, it was imperative for us to commission a manufacturing capacity in that country – and we embarked on one.

Q: The Company embarked on an ambitious project to manufacture carbon black. Why?

A: At Himadri, we derived creosote oil as a by-product of the distillation process. This oil was marketed to carbon black manufacturers. Nearly 1.85 tons of creosote oil generated one tonne of carbon black. We recognised the opportunity within this reality; we were literally funding transporters for the supply of the product and paying indirect taxes on the same. As a result, we identified the opportunity of consuming the creosote oil in-house for the manufacture of carbon black and utilising the transportation and indirect taxes saving to enhance our competitiveness.

There was a more compelling reason for our integration into the manufacture of carbon black. By the

time we scale our distillation capacity in 2010, we will be in a position to generate a significant quantity of creosote oil. This raw material quantum will be sufficient for us to commission a carbon black facility with acceptable economies of scale. Result: we will be completely self-sufficient for our raw material requirements for the onward manufacture of carbon black. Besides, we will bundle this plant with a 12 MW captive power facility that will use waste heat gas (that would otherwise have been wasted), earn carbon credits and reduce our overall cost of production. The result is that our carbon black manufacturing plant will be globally competitive, even at today's commissioning costs from day one.

Q: How will you like to explain the Company's reinvented business model?

A: I will concisely explain the business model in just two words - integration and value-addition.

Our integrated business model will

enable us to produce advanced carbon out of coal tar (raw material); it will enable us to generate by-products of creosote oil and naphthalene through the distillation process; it will enable us to integrate forwards from creosote oil into carbon black and power; it will enable us to add value to naphthalene and manufacture superplasticizers used in ready mix concrete. We will emerge as a company manufacturing various types of coal tar by-products and its derivatives by 2009.

I must also make this point: in the distillation process, there are a number of products, representing one percent to two percent of our throughput but accounting for high value-added by-products. While their respective quantities may appear insignificant, the reality is that these by-products fetch attractive realisations. Once we have commissioned all our distillation expansions, we are optimistic that the quantum of revenues derived from these by-products will be attractive enough to enrich our bottomline.

Q. What could be the entry barriers for others entering this line of business?

A: Coal tar pitch represents a key input in the production of aluminium, as the quality of coal tar pitch is critical for the quality of finished metal and cost of production. In case of high metal/impurities in the coal tar pitch, the metal produced will have a correspondingly low purity. In case the other chemical properties are not strictly as per the desired specification of the smelters, the per MT carbon and power consumption will be higher. The smelters cannot compromise on the quality of coal tar pitch. To respond to this reality we provide coal tar pitch matching 22 demanding chemical and physical properties required for aluminium manufacture.

The technology for manufacturing high-quality coal tar pitch is not available from any technology providing company and globally has been developed only by actual manufacturers, over the years.

The time required for a quality

approval of coal tar pitch for any new source by the aluminium smelters is around 18-24 months.

Coal tar pitch is required to be delivered to the aluminium smelters in liquid form at a temperature of more than 240 degree Celsius; for this purpose a specialised fleet of tankers are required and this has been developed in-house by the Company.

In case of liquid pitch imports specialised liquid pitch handling and storing facility is to be created at the port and the distance from the port to the aluminium smelters are very high, so local infrastructure has to be created for transporting the material at 240 degree Celsius.

The Company is strengthening its business model by forward integrating to the manufacture of advanced carbon material, carbon black, super plasticizer, etc.

Q: What is the outlook for the Company?

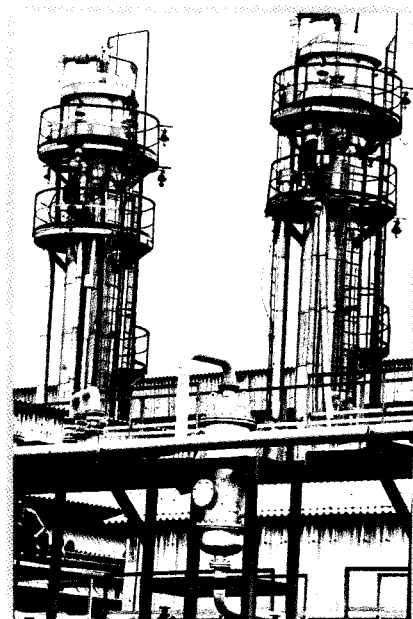
A: We are highly optimistic about the Company's prospects for the

following reasons: progressive increase in our distillation capacity, scaling of the advanced carbon capacity, commissioning of our carbon black and power plant capacities as well as setting up a manufacturing facility for super plasticizers from naphthalene. We expect to cap our raw material costs through effective integration and production efficiencies, resulting in enhanced topline, bottomline and shareholder value over the coming years.

Our vision is to convert Himadri from primarily a coal tar pitch Company into a global brand with core carbon competence.

How we enhanced value for our shareholders in 2007-08

During 2007-08, Himadri Chemicals reported a positive EVA of Rs. 2,528.13 lacs, indicating that the Company exceeded shareholder expectations.



In 2007-08, Himadri Chemicals reported a positive EVA of



Coal tar pitch



Overview

The raw material for Himadri's entire product portfolio of coal tar derivatives and carbon-chemical compounds is coal tar. Coal tar is a by-product generated through the processing of coal into low ash metallurgical coke in the recovery-type coke oven plant. Coal tar accounts for around 4-4.5 percent of coke produced; in turn, coal tar pitch is obtained through coal tar distillation which involves the conversion of coal tar into a variety of intermediate chemical products and through various processes, beginning with distillation. During the distillation process, heat and vacuum are utilised to separate coal tar into three primary components: coal tar pitch (approximately 55 percent), oils (approximately 36 percent) and naphthalene (approximately 9 percent). Because coal tar products are produced in a relatively fixed proportion to coal tar pitch, the level of coal tar pitch consumption generally determines the level of production of other

coal tar products.

The importance of coal tar pitch is derived from the criticality of its use. The material is predominantly used as a binder in the manufacture of carbon anodes in aluminium smelting with a corresponding influence on end-product quality in terms of purity of metal, it also has direct implications on the cost of production of aluminium as in case of poor quality, the life of the anode will be less as CTP acts as a binder for anodes, it impacts the carbon consumption per MT of production of aluminium and also has a relation with the power consumption per MT of aluminium produced with no existing possibilities of substitution. Due to the continuous nature of the aluminium production process, an uninterrupted supply of coal tar pitch is required. The material is also used in the production of graphite electrodes (used in steel production) as an impregnating agent, increasing electrode density and strength.

Coal tar pitch, the core product

CTP is a black solid material at ambient temperature, consisting of a complex mixture of numerous aromatic hydrocarbons and with superior binding properties. CTP is produced from coal tar through distillation. Coal tar, the chief raw material, is a by-product of recoverable coke oven batteries, producing low ash metallurgical coke (LAMC). In coal tar distillation, CTP yield is 55 percent (every one ton of coal tar = 0.55 ton of CTP). These by-products can be refined to produce phthalic anhydride, super plasticizer, carbon black, naphthalene sulphonates, synthetic tanning agents and dyestuff intermediates.

Application

- ❖ Used as a binder material for the production of anode in aluminium smelting.
- ❖ Used as a binder and impregnating material for the production of graphite electrodes.
- ❖ Used as a raw material for making carbon paste for ferro alloy industry.
- ❖ Used as an important raw material for the manufacture of ultramarine blue.
- ❖ Used as an important material for the manufacture of needle pitch coke.

Aluminium anodes: Aluminium is electrolytically smelted in furnaces called 'pots' with the help of electricity. Each ton of aluminium consumes around 13.5 kWh of power during smelting (depending on the technology) and to transfer this huge amount of power (low voltage but high amperage) through the raw material i.e. molten cryolite in which alumina is dissolved, an anode is inserted in the pot which is lined with carbon. The anode is made of calcined petroleum coke and coal tar pitch, while the cathode is a thick lining of carbon/graphite. The high-current flow at smelting temperature (over 900°C) erodes the electrodes and for each ton of aluminium produced, it results in a consumption of 400 kg of electrodes (both cathode and anode). Considering that anodes are largely made up from CTP, the resultant consumption of CTP per ton of aluminium smelted works out to be around 110-115 kgs. It should be noted that a few decades ago, this consumption was around 145-150 kg/MT, but a global shift towards pre-baked technology in aluminium smelting has enabled rationalisation in CTP consumption. However, there are no emerging technological advances, affording strong buoyancy in its demand over the foreseeable future.

Graphite electrodes: The second-largest consumer of coal tar pitch is

graphite electrodes, which are used in electric arc furnaces. CTP constitutes around 40-42 percent of a graphite electrode by volume, with a large part of the balance being accounted for by needle coke/CPC (calcined petroleum coke). CTP is used as a binder and as an impregnating material in the electrodes at a high temperature to fill and cover the pores, enhancing the life of the electrodes.

Himadri is engaged in the business of distilling coal tar to manufacture CTP, oils and naphthalene. The Company is the largest coal tar pitch manufacturer in India with a predominant market share of 70 percent. Its main users comprise aluminium and graphite electrodes manufacturers, both downstream industries enjoy a robust demand. The Company plans to capitalise on this reality through a major expansion programme. It also supplies specialised pitch to the Government of India for critical Defense applications.

Coal tar pitch also finds applications in strengthening refractory linings of industrial furnaces, pipe-coating enamels, varnishes for corrosion coatings for industrial steelwork, the manufacture of ultramarine blue and carbon paste for ferro alloys and as a feedstock for pitch coke.

Coal tar pitch and by-products:

COAL TAR

PRODUCTION PROCESS

COAL TAR PITCH 55%

CHEMICAL OILS 9%

CREOSOTE OILS 36%

NAPHTHALENE

PHTHALIC ANHYDRIDE

SUPER PLASTICIZER

PRIMARY END MARKETS

ALUMINIUM & STEEL
INDUSTRIES

REINFORCED PLASTIC AND
READY MIX CONCRETE

WOOD REATING AND CARBON
BLACK INDUSTRIES

PRIMARY END PRODUCTS

CARBON ANODES, CATHODES
& ELECTRODES

VINYL, PAINT, COATINGS,
FIBERGLASS & CONSTRUCTION

RAILROAD CROSSTIES UTILITY
POLES, AUTOMOBILE TYRES

Products

End use

Coal tar pitch – binder grade

Anodes for aluminium industry and graphite electrodes

Coal tar pitch – impregnating

High-density graphite electrode

Creosote oils

Used as a carbon black feedstock for the manufacture of carbon black; also used as a substitute to furnace oil and LDO.

Naphthalene

Used for making naphthalene balls, dyes and dyestuff intermediates, super plasticizer etc.



Himadri is pioneer in liquid pitch supply in India, with an expertise in maintaining the quality and temperature of the liquid pitch during transportation and storage.

Demand-supply dynamics

Currently, the global production of coal tar is estimated at around 18 mn MT, of which around 10 mn MT is likely to be used in the extraction of derivatives. The result: global coal tar pitch production of around 4.7 mn MT. The largest consumer of CTP is the aluminium industry at around 78 percent, followed by the graphite industry at 13 percent.

At present, the maximum coal tar is available in China (around 50 percent), CIS (16 percent), Europe (14 percent) and Asia (4 percent).

Due to the large concentration of steel manufacturers in Asia, 57 percent of coal tar is available in Asia and this is further expected to be around 62 percent by 2009. Thus the basic raw material for the manufacture of CTP is abundant in China and the rest of Asia.

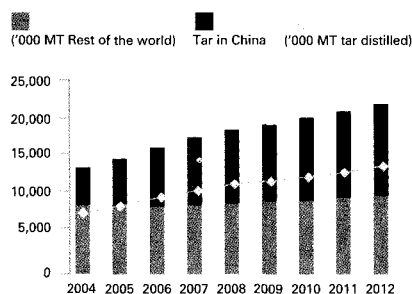
Following an increase in the aluminium capacity as well as a greater demand from other end-user industries, the consumption of coal tar pitch is expected to grow from 5.1 mn TPA in 2007 to 7.2 mn TPA by 2012. The major consumption growth is expected in China, which is likely to increase its current 29 percent share to 39 percent by 2012.

Himadri's presence

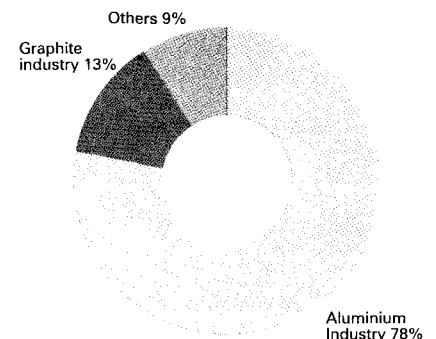
Himadri's coal tar pitch is produced by using a specifically designed high-end, efficient vacuum system with special heating configuration for controlled heating. It is also supported by strict process and quality control measures. Good quality coal tar pitch is highly customised, requiring compatibility with nearly 22 different chemical and physical properties that can vary with customers' specifications.

Himadri produces four different categories of coal tar pitch —

Global tar availability: 2004-2012



Industry-wise global demand



aluminium grade pitch, binder pitch, zero-QI impregnating coal tar pitch and special pitch in both solid and liquid forms. The Company is the largest liquid pitch supplier in India with a storage capacity of 6,000 MT at its plants. It has not only pioneered liquid pitch supply in India, but also the expertise to maintain the quality and temperature of the liquid pitch during transportation and storage.

The Company is one of the three global producers of zero-QI impregnating coal tar pitch which, together with binder pitch, are critical materials used in the manufacture of graphite and advanced carbon material products. Currently, there is no substitute for coal tar pitch in anode manufacture. Leveraging in-house research and development, Himadri has developed a process to consume petroleum-based raw materials as well as the technology

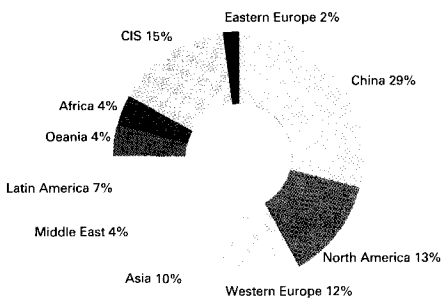
to distill and modify poor quality coal tar pitch without any corresponding compromise in the end-product quality.

Outlook

As per consumption data, global CTP demand is expected to post a 7.14 percent CAGR from 5.1 mn MT in 2007 and rise to 7.2 mn MT by 2012, supporting a global distillation capacity of around 13 mn MT by 2012. At present, the global coal tar availability is around 18 mn MT with a distillation capacity of 10 mn MT. China is expected to retain its present position and account for around 50 percent of the global coal tar production, as most of the coking coal reserves and coke oven batteries are expected to come up in China; the country is expected to account for around 35 percent of the global steel production by 2011.

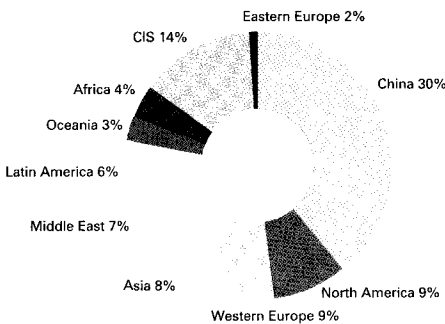
Himadri's coal tar pitch is produced by using a specifically designed high-end, efficient vacuum system with special heating configuration for controlled heating.

Global coal tar pitch consumption



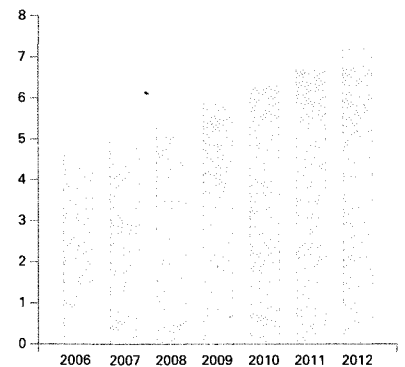
2007 = 5.1m tonnes

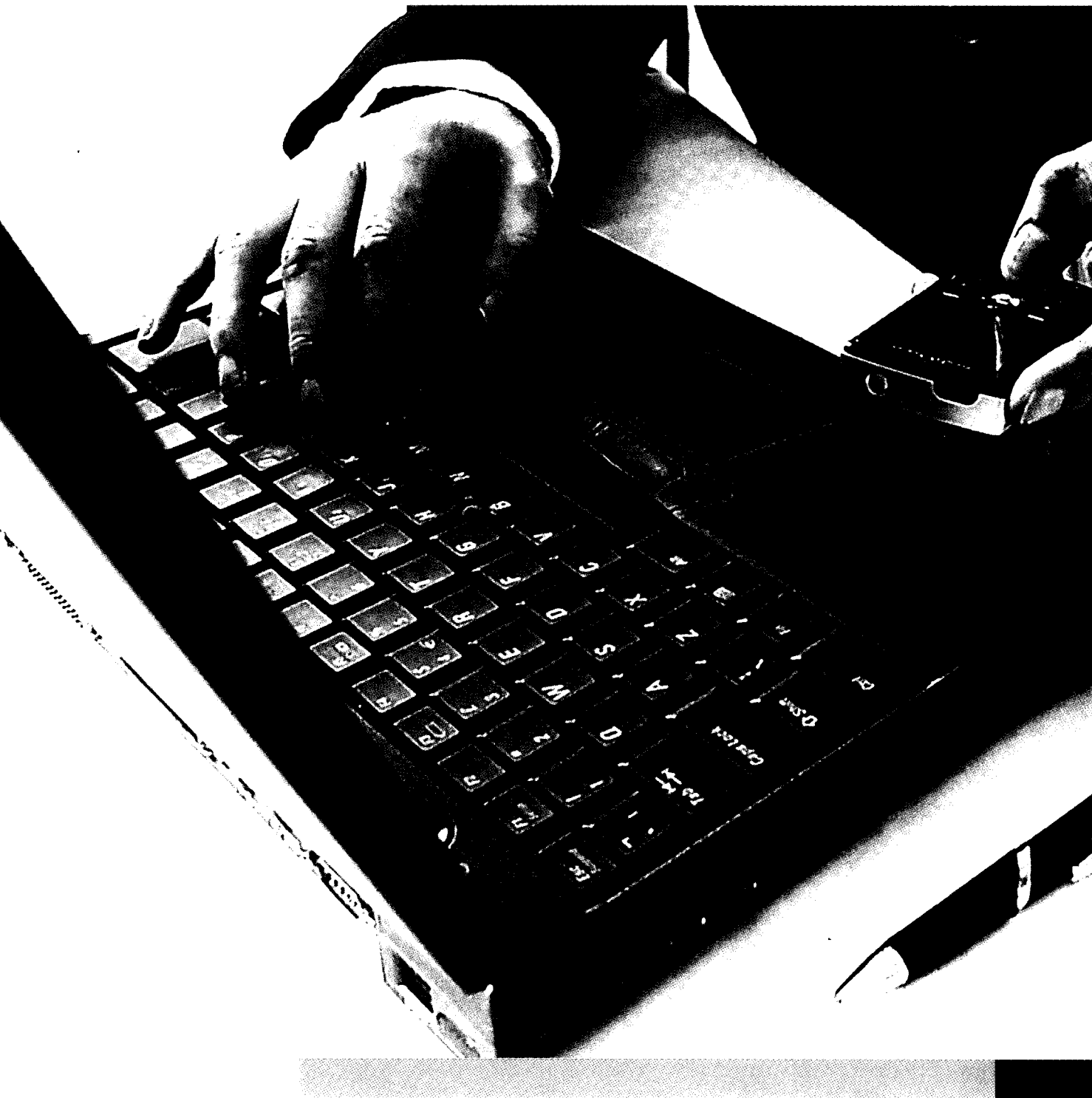
World coal tar pitch consumption



2012 = 7.2m tonnes

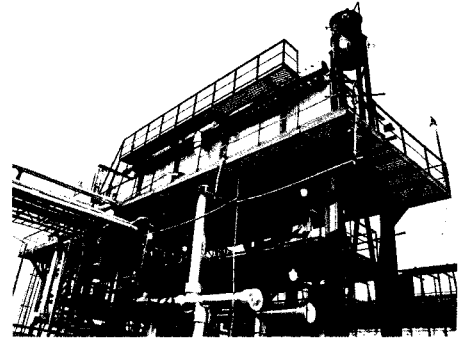
World coal tar pitch consumption





Mesophase

(Advanced carbon material)



Overview

Himadri extended its business model from the manufacture of coal tar pitch to the dynamic space of advanced carbon material. This material is of growing relevance in the world today as they are used in the manufacture of lithium-ion batteries. While the global market for rechargeable batteries used in mobile devices is large, the lithium-ion battery itself contributes around 70 percent of the rechargeable batteries market. The market size of this segment is about 26,000-29,000 MT and growing at 25 percent annually. This advanced carbon material commands attractive realisations that can rise to Rs. 14,00,000 per MT.

Himadri is the only company outside Japan to captively develop the technology to manufacture high-quality advanced carbon material. The Company achieved commercial scale production of advanced

carbon material in January 2008 and commenced commercial supplies to international customers. The Company expects to scale this capacity, emerge as a significant global player over the coming years and market products to Southeast Asia, among others.

The lithium edge

Coal tar ► Advanced carbon ► Lithium-ion battery

The outlook for the Company appears optimistic on account of lithium-ion batteries being used across all portable electronic devices like mobile phones, video cameras, notebook computer and palmtops. Today, rechargeable systems possess greater energy storage capability than the standard alkaline cell. Going ahead, primary batteries will be progressively replaced by high-energy lithium-ion batteries and interestingly, Toyota has already begun to test the lithium-ion batteries for car start-up applications.

The energy density of lithium-ion batteries is typically twice that of the standard nickel-cadmium (Ni-Cd) and Ni metal hydride (Ni-MH). Moreover, there is an attractive potential for achieving higher energy densities in lithium-ion batteries. The load characteristics are better and are similar in terms of discharge to nickel-cadmium batteries. The high cell voltage (3.6 volts) allows battery pack designs with only one cell. Most of today's mobile phones run on a single cell. A nickel-based pack would require three 1.2-volt cells

connected in series (as illustrated).

Lithium-ion is a low-maintenance battery, an advantage that most other chemistries cannot claim. Besides, there is no memory and no scheduled cycling required to prolong the battery's life. The self-discharge is less than half compared with nickel-cadmium, making lithium-ion well suited for modern fuel-gauge applications. Lithium-ion cells cause little harm when disposed.

Himadri's presence

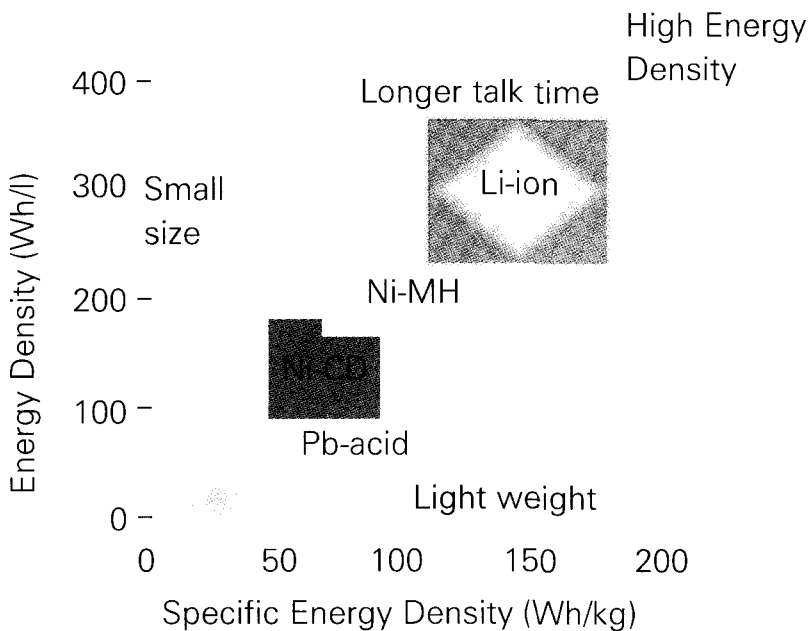
Himadri Chemicals' extension to the

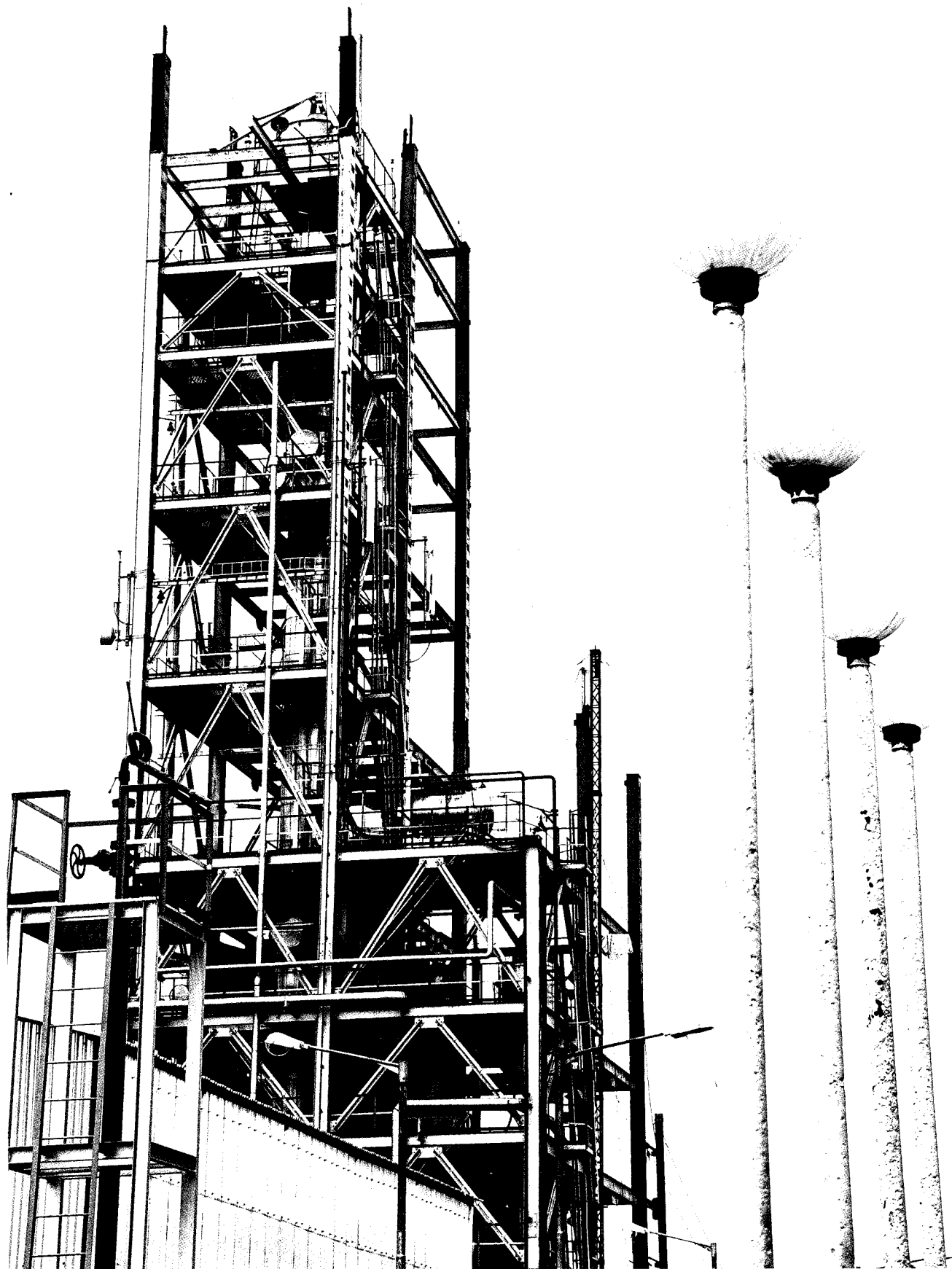
manufacture of advanced carbon material represents a forward integration. The Company entered into the production of this material in January 2008 through a 100 percent export-oriented unit, and is now scaling its capacity in 2008-09. The Company has drawn up a plan to emerge as an important manufacturer of this material – currently the only one outside Japan – and expects to carve out an attractive global share.

Outlook

The global market for rechargeable batteries used in mobile devices is around USD 7 billion, of which the lithium-ion battery accounts for around USD 5 billion. With crude oil prices touching USD 125, the market for hybrid electric vehicles (HEV) could strengthen, driving the market for lithium-ion batteries and creating attractive opportunities for advanced carbon manufacturers like Himadri Chemicals.

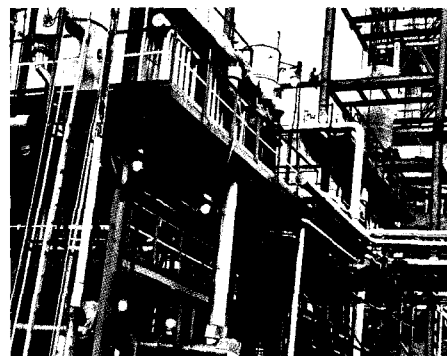
Around three million HEVs are expected to roll out by 2015, with 50 percent or more run on lithium-ion batteries, creating sustainable opportunities for advanced carbon players like Himadri. This scope is expected to transform Himadri from a mid-sized raw material supplier to a high-end technology player.







Other derivatives



The distillation of coal tar into coal tar pitch generates a number of by-products, which are used in niche applications and enjoy attractive realisations.

Oils: Himadri produces oils, a by-product derived from the coal tar distillation process. Different types of oils — light creosote oil, heavy creosote and wash oil and anthracene oil are produced through variations in temperature during the coal tar distillation process. These oils possess the following properties:

- **Light creosote oils:** Used as solvents in paints and asphalt liquefying, among others.
- **Heavy creosote oil and wash oil:** Used in the extraction of benzene from the coke oven gas and for the manufacture of phenolic oil as a disinfectant.
- **Anthracene oil:** Used as a wood preservative, a feedstock for the manufacture of carbon black and in the manufacture of coal tar enamels.

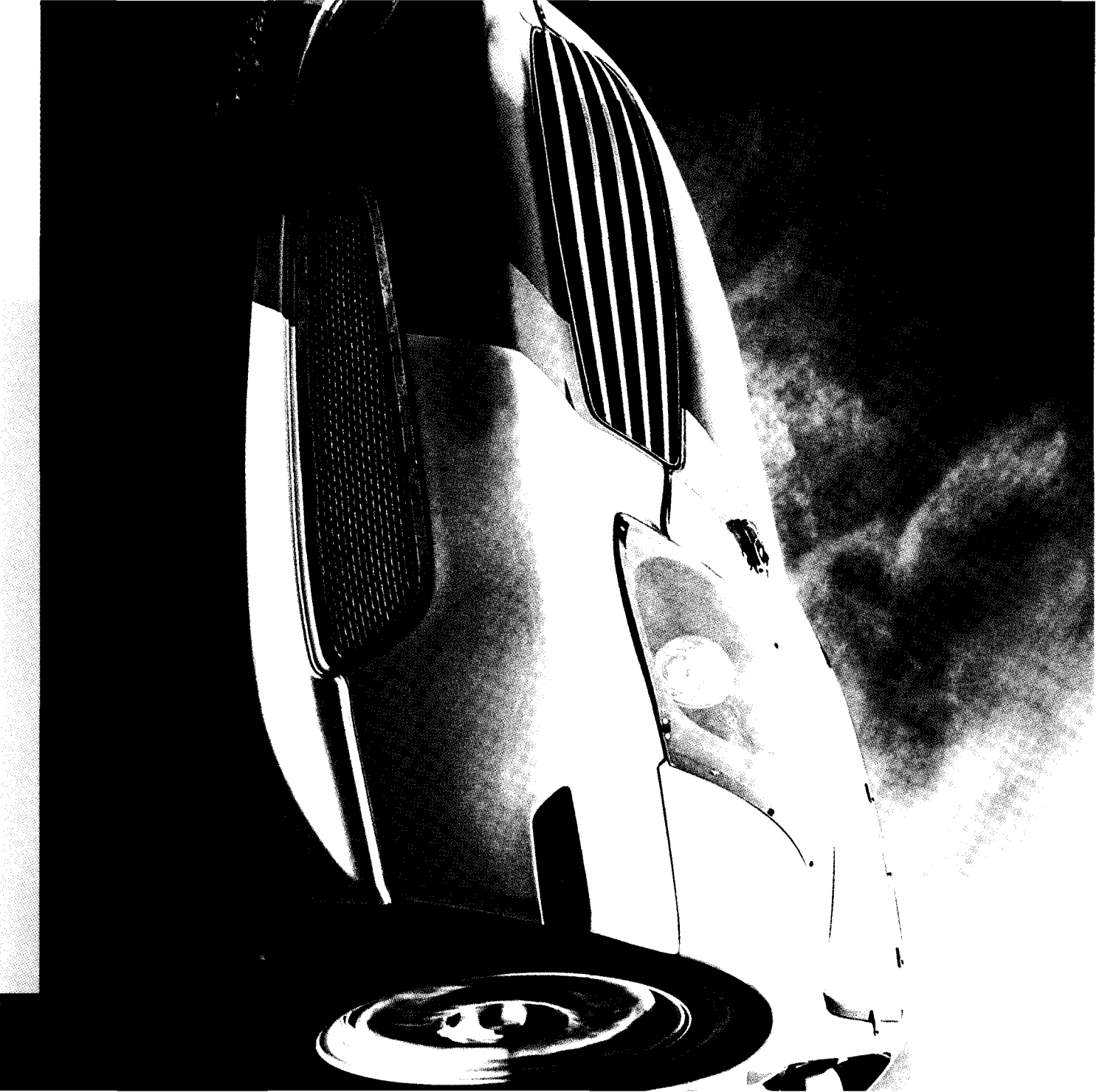
Other creosote oils are used as wood preservative pesticides, water-proofing agents, animal and bird

repellents, fuel oil, insecticides, animal dip, fungicides, lubricants for die moulds and as pharmaceutical agents for the treatment of psoriasis.

Naphthalene: Chemical oil is the lightest distillate of coal tar and its largest component is naphthalene. Naphthalene finds extensive use as a disinfectant (especially by households), dye and dyestuff intermediates, tanning agent and also as a raw material in the manufacture of super plasticizers. The product constitutes 8-9 percent of the distillate, its realisation completely influenced by purity levels.

Other products and businesses

Himadri also produces corrosion-protect products such as Himcoat EnamelTM, Himcoat Primer-B TM and Himtape TM. Besides, Himadri entered into the non-conventional energy market by setting up two windmills with a combined capacity to generate 2.5MW; the windmills are located in Dhule, Maharashtra and have been operational since May 2006.



Carbon black



Overview

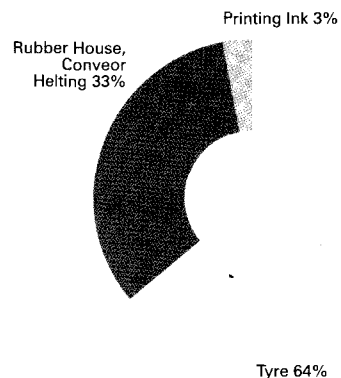
Carbon black is virtually pure elemental carbon in the form of colloidal particles. The material is produced by the incomplete combustion or thermal decomposition of gaseous or liquid hydrocarbons under controlled conditions. Its physical appearance is that of black, finely divided pellets or powder.

Carbon black is widely regarded as one of the most important industrial chemicals in the world. It represents a USD 8.8-billion global market, enjoying applications in rubber, plastics, coatings, inks (including inkjet), toners and chromatography columns. As a reinforcing agent for rubber, the material offers attractive functional properties, including improved fracture behaviour, abrasion resistance and tear strength.

Carbon black is used as a filler by the tyre industry; it also enjoys applications for industrial rubber products. It is derived by partial consumption of a liquid feedstock rich in carbon and is produced

through the thermal decomposition of oils with a high carbon content at high temperatures.

The Asia-Pacific region accounts for nearly 4.50 million tons of carbon black, out of 10.10 million tons of global capacity. It is also the fastest growing region with an expected growth of 4.35 percent vis-à-vis the global demand growth of 3.15 percent during the next four years. India, with a capacity of 0.58 million tons, is the third-largest producer in Asia after China and Japan.



World carbon black demand trend (MTPA)

Region	2006		2010 Demand	CAGR % (2006-2010)	2015 Demand
	Demand	Capacity			
North America	1.9	2.2	2.0	1.0	2.1
Western Europe	1.8	1.6	2.0	2.1	2.2
Asia Pacific	4.2	4.5	5.2	4.4	6.8
South America	0.5	0.6	0.6	2.8	0.7
Eastern Europe	0.6	0.9	0.7	3.0	0.9
Africa & Middle East	0.3	0.3	0.3	3.9	0.4
Overall	9.2	10.1	10.8	3.2	13.0

Source: Company estimates

The world's carbon black industry demand is dominated by a small group of global tyre companies; around 75 percent to 80 percent of carbon black demand is directly related to motor vehicles. The global capacity relocation from higher cost regions (the US and the EU) to emerging markets like China, India and South America has resulted in a concurrent shift of carbon black production capacities to these regions as well. While global carbon black sales are growing at a CAGR of 4.4 percent and are valued at Rs. 270 billion, the domestic industry has been growing at 8 percent CAGR and is valued at Rs. 20 billion [Source: *HDFC Securities, 7.5.2007*].

The majority of carbon black is produced in the Asia-Pacific region, which is estimated to grow at 7.2

percent CAGR over the next four years. The total carbon black capacity in India is currently 5,80,000 MTPA and is expected to grow at 8-9 percent CAGR. India's carbon black demand is expected to grow by 9 percent CAGR by 2010, while supply is expected to grow by 5 percent CAGR during the same period [Source: *India Capital Markets Pvt. Ltd., 12.10.2007*].

Domestic scenario

Increasing incomes and a higher propensity to consume are likely to drive domestic vehicle and OEM tyre offtake in addition to a robust replacement market. The Indian tyre industry is expected to grow at 14 percent in FY08. Considering the buoyant demand in the global tyre industry, most companies in the domestic tyre industry have planned

capacity expansions, fuelling the demand for India's carbon black industry.

India's total carbon black capacity stood at 5,80,000 MTPA as on March 2007 with manufacturers operating at 93 percent utilisation, resulting in a production of 5,39,000 MTPA. Of the total production, the industry exported nearly 1,03,000 MTPA (19 percent).

Himadri's presence

Over the years, Himadri has been supplying oil to carbon black manufacturers. The oil supplied by Himadri enjoys a substantial advantage over the traditional imported petroleum-based raw material used by carbon black manufacturers, summarised as follows:

- ✦ Higher BMCI, resulting in a higher yield from coal tar-based oil compared with petroleum-based oil.
- ✦ The sulphur content in Himadri's oil is less than 0.50 percent, compared with the sulphur content of more than 3.5 percent in imported petroleum-based feedstock, which is purchased by carbon black manufacturers.

Advantage of Himadri

At present, Himadri has to market its oil to the carbon black manufacturers, which calculate the cost on oil on the basis of the landed price at their plant. This includes components of transportation and indirect taxes to the tune of Rs. 2,000 PMT and around 1.85 MT of oil is consumed to manufacture 1 MT of carbon black. In case this material is

consumed in-house, this will result in an additional saving of Rs. 3,700 PMT compared with other carbon black manufacturers, which will directly add 5 percent to the net profit margin on the sale of carbon black.

As the manufacturing process of carbon black generates waste heat gases, the Company is setting up a plant to use waste heat gases captively for power generation at its 12-MW power-generation plant. It is applying for the eligibility of carbon credit, making the project economically viable, in Hooghly. The waste heat gas generated will also be used as fuel for coal tar distillation for which, the Company is setting up a special project and applying for carbon credits.

Outlook

India's auto sales, which doubled in five years, may treble to 3 million by 2015 as automakers set up new factories, introduce new models and ride growing incomes. India's automobile production surged from 62,79,967 in 2002-03 to 1,08,33,948 in 2007-08 [Source: SIAM]. Riding India's emergence as a global automotive hub, Himadri will not only enjoy higher demand but also a lower cost of distillates, a definite advantage over other carbon black manufacturers in a business where raw material cost constitutes around 80 percent of the total production cost.

Automobile production trends (Number of Vehicles)

Category	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Passenger vehicles	723,330	989,560	1,209,876	1,309,300	1,545,223	1,762,131
Commercial vehicles	203,697	275,040	353,703	391,083	519,982	545,176
Three-wheelers	276,719	356,223	374,445	434,423	556,126	500,592
Two-wheelers	5,076,221	5,622,741	6,529,829	7,608,697	8,466,666	8,026,049
Total	6,279,967	7,243,564	8,467,853	9,743,503	11,087,997	10,833,948

Source: Company estimates

Industry and business review

Economic overview

Global overview: The global economic growth declined from 4.60 percent in 2006 to 4.40 percent in 2007 on account of a slowdown in the US. However, developing countries continued to expand, led by China and India, benefiting from robust domestic demand and disciplined macroeconomic policies. Growth in the emerging markets and developing countries is also expected to ease, moderating from 7.8 percent (annual basis) in 2007 to 6.9 percent in 2008. In China, growth is projected to decline from 11.4 percent in 2007 to 10 percent in 2008. However, for the first time, China and India made the largest country-level contributions to global growth in 2007.

Indian economy: The economy has been growing at an average rate of

8.8 percent in the last four fiscal years (2003-04 to 2006-07), with the 2006-07 growth rate of 9.6 percent being the highest in the last 18 years. In 2007-08, the economy grew 9 percent, leveraging the structural transformation in the Indian economy. However, the domestic economy is projected to perform slower in 2008-09, as rising inflation and hardening interest rates are expected to stagger investments [Source: IMF].

Industry overview

Global perspective: Global production of coal tar is estimated to be around 19 mn TPA this year, of which around 11 mn TPA is likely to be used for derivatives extraction, resulting in a global coal tar pitch production of around 6 mn TPA. The largest consumer of coal tar pitch is the aluminium industry (78 percent),

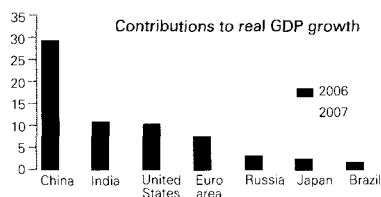
followed by graphite (13 percent).

Global aluminium industry: Global aluminium demand is expected to exceed 55 mn TPA by 2012, growing at 7.8 percent CAGR. Currently, China (25 percent), North America (23 percent), Europe (23 percent), Asia (20 percent) are the key aluminium consumers with transportation, building and construction and packaging industries accounting for about 60 percent of the global consumption.

The global demand forecast for aluminium is expected to grow rapidly through 2008 to 2012. The US aluminium industry is the world's largest, producing about USD 33 billion in products and is a net exporter. China's per capita aluminium consumption has surged from 0.68 pounds in 1974 to 20.58 pounds in 2007. While China is currently a net exporter of aluminium, its growing appetite for aluminium is expected to turn it into a net importer of over 1 mn TPA by 2012.

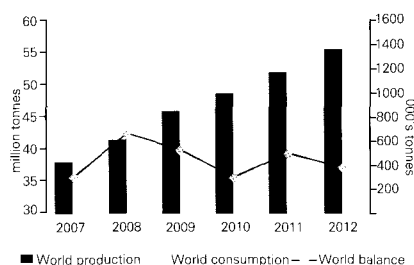
New driving force

The major emerging markets have become the main engines of world growth. For the first time, China and India are making the largest country-level contributions to global growth. (based on PPP weights, percent of the growth)



Source: IMF staff calculations.

Aluminium supply/demand forecast for 2007-12



Global demand-supply: There has been a shift in aluminium production towards the developing world, with new smelting capacities coming up in China, Iceland, the Middle East, India and the Russian Federation. Global aluminium demand is

expected to grow at a similar pace as that of the last five years, at an approximate CAGR of 7.8 percent, from the current 37.8 mn TPA to around 55 mn TPA by 2012. The key drivers for increasing aluminium consumption in China are buoyant infrastructure development, rapid industrialisation and urbanisation. As against the 7.5 percent demand growth, global aluminium production has increased by 6.8 percent only. Over the coming two years, China, the CIS and Middle East are expected to increase their capacities by 2.4 mn TPA, 1.5 mn TPA and 1.4 mn TPA, respectively, enhancing opportunities for players like Himadri Chemicals.

Global steel industry: Global steel production in CY'07 was 1,200 mn TPA, of which 400 mn TPA was produced through the electric arc furnace (EAF) route. Global steel production is expected to touch 1,500 mn TPA (CAGR of 5.7 percent annually) by CY'11, of which the EAF route will account for an estimated 515 mn TPA. India's steel production grew by 5.2 percent to 55.26 million tons in 2007-08, while consumption grew by 11.72 percent to touch 51.80 million tons. A sharp growth in downstream infrastructure and automobile sectors are expected to result in a 10 percent CAGR in the

steel industry demand to 65 mn TPA by FY'11; steel through the EAF route is expected to account for around 34-35mn TPA, driving the demand for graphite electrodes and coal tar pitch. Encouraged by a sharp increase in realisations in 2008, the steel industry has announced capacity expansions of 31 million tons. The production of graphite in India is likely to increase from 93,000 TPA to 1,60,000 TPA by 2011, strengthening the demand for zero QI impregnating pitch and binder coal tar pitch.

Global steel buoyancy

Globally, steel capacity expansion of around 35 mn TPA is projected over the next five years, entailing a capex of Rs. 1,200 bn. Steel is integral to economic growth and remains the most essential commodity for an emerging economy. China's fixed asset investment and that of other emerging economies are highly steel-intensive. According to the World Steel Dynamics, every dollar of fixed asset investment is 14 times as steel-intensive as every dollar of consumption in the US and other developed economies. This helps explain why China consumes over three times as much steel as the US, despite the fact that China's economy is less than half as big as

the US economy [Source: Lehman Brothers, Global Equity Research].

Domestic aluminium industry

In line with global trend, around 70 percent of India's coal tar pitch demand is accounted for by the aluminium industry. Demand for coal tar pitch is directly related to the production of aluminium as it accounts for around 11.5 percent of finished aluminium in volume terms and 2.5 percent in value terms. Domestic coal pitch demand in aluminium is expected to grow at a CAGR of 31.90 percent to touch 0.40 mn TPA by 2011-12.

The Indian aluminium industry is emerging as a key player in the world aluminium market, powered by fast-growing capacity, low operation costs and vast bauxite reserves. India possesses the fifth largest bauxite deposits, accounting for 7.5 percent of the global deposits; this large bauxite reserve is expected to support more than 100 years of aluminium production. With the industry enjoying the dual benefits of large reserves and low production cost, it is expected that domestic demand will expand from 1.2 mn TPA in 2007 to 4 mn TPA by 2011-12, narrowing the gap between domestic per capita aluminium consumption of

0.9 kg as compared with 25 kgs in the US, 19 kgs in Japan and 10 kgs in Europe.

India's aluminium consumption is driven by the growth from its electrical, automobiles, construction and packaging sectors. India's construction sector is expected to grow at 14 percent CAGR over the next four-five years, following robust growth in malls, multiplexes and commercial complexes. The country's automobile sector is expected to grow at 11 percent CAGR, packaging at 11 percent and electrical at 5.2 percent between FY 2007 and 2011. In response to this enlarging demand, players like Nalco, Balco, Hindalco and Vedanta are expanding their capacities from the current 1.2 mn TPA to 2.5 mn TPA by 2010-11 and 3.5 mn TPA by the next year. Vedanta is setting up a new smelter in Jharsugada, Orissa, with a capacity of 0.35 mn TPA, which will gradually be increased to 1mn TPA by

2011-12. As a result, India is expected to emerge as a net exporter of aluminium over the coming years while domestic demand will be sustained by higher disposable incomes, burgeoning middle-class and infrastructure investments – driving the country's transport, construction, packaging and power sectors. (See table below)

Current domestic consumption pattern

Industry	Percentage
Transport	22 percent
Power	36 percent
Construction	13 percent
Appliances	08 percent
Machinery	06 percent
Packaging	11 percent
Others	04 percent
Total	100 percent

Source: Company estimates

Domestic steel industry: Indian steel consumption accelerated from 3.4 percent in FY'02 to 11 percent in FY'07 and this momentum is likely to be maintained on account of the USD-540 bn infrastructure investment and USD-210 bn capital expenditure by various industries in the country. Steel production is expected to double in five years to around 90 mn tons, making India the third-largest steel producing country.

On the other hand, India's steel consumption is growing at 12.6 percent, almost twice the 6.6 percent supply growth of 38.05 mn TPA from domestic players during April-December 2007. Imports jumped 66.9 percent y-o-y from 2.93 mn TPA to 4.9 mn TPA during April-December 2007, while export growth was a mere 9.1 percent to 3.85 mn TPA. The production of finished steel grew by 9.5 percent from around 42 mn TPA in 2005-06 to around 46 mn TPA in 2006-07. By 2015-16, India is

Company	Existing capacity (MTPA)	Expected capacity additions (MTPA)				Expected cumulative capacity (MTPA)
		2007-08	2008-09	2009-10	2010-11	
NALCO	3,45,000	1,15,000	1,25,000	-	-	5,85,000
HINDALCO	4,61,000	43,000	-	-	6,50,000	11,54,000
VEDANTA	-	3,50,000	3,50,000	-	3,50,000	10,50,000
BALCO	3,45,000	-	-	3,50,000	-	6,95,000

Source: Company, Investor note; April 2008

expected to become the second-largest steel producer globally with an annual production of 137 mn TPA, and is expected to reach 220 mn TPA by 2020.

India's steel consumption is expected to grow 16 percent annually till 2012, driven by robust construction demand and projects worth USD 1 trillion. The scope for enhancing steel consumption is huge, given that the country's per capita steel consumption is less than 40 kg, compared with 150 kg globally and 250 kg in China.

During the last quarter of 2007-08, the industry announced capacity expansion plans of nearly 31 mn TPA to meet the growing demand. This is likely to result in an additional investment of USD 21.21 billion.

Domestic steel capacity expansions will lead to

higher availability of coal tar

Arcelor Mittal, the world's largest steel maker, plans to set up two greenfield steel projects in India, each with a capacity of 12 mn TPA.

Acerinox SA, the world's second-biggest stainless steel maker, is collaborating with Japan's Nisshin Steel to build a steel plant in India.

Tata Steel, the world's fifth largest steel maker, plans to double its capacity by 2015 by adding another 35 mn TPA capacity.

India's largest steel manufacturer SAIL is planning to increase its annual production of 12 mn TPA to 24.98 mn TPA by 2011-12.

Sinosteel Corp, China's second biggest iron ore trader, plans to invest USD 4 billion to build a 5- mn TPA greenfield steel plant

USD 365.7 million investment is

expected in Karnataka over the coming years

Mesco Steel plans to invest USD 2.8 billion across two steel plants – a brownfield expansion and a greenfield project – in Orissa.

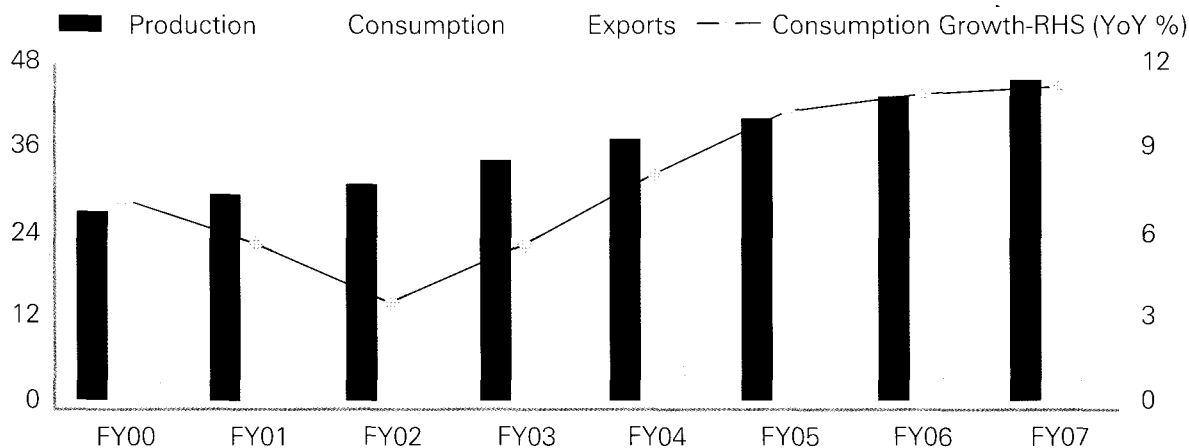
Vedanta Resources intends to foray the Indian steel sector with a 5-mn TPA plant at around USD 6.02- billion investment in Orissa.

State-owned Steel Authority of India Ltd. (SAIL) will invest USD 5.006 billion in West Bengal—almost two-fifths of the USD-13.27 billion spread initially planned by SAIL.

Himadri's performance review

Himadri Chemicals manufactures coal tar pitch, naphthalene and chemical oils. During 2007-08, the Company extended into the manufacture of advance carbon material through captive technology.

Domestic steel demand and supply (in mn tons)



Business strengths

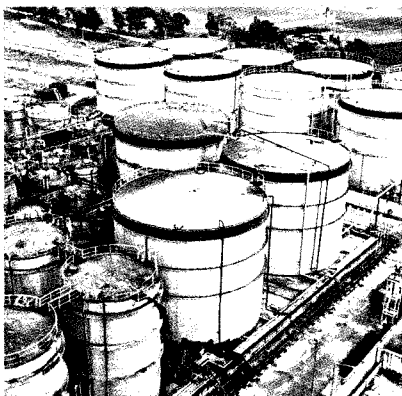
Production of a critical product with enhanced customisation, resulting in repeat business from existing customers.

Sustainable business model leveraging the surging demand from core sectors like aluminium and steel.

Attractive margins from increased raw material yield, reducing consumption of fuel per MT of coal tar distillation.

After-sales service comprising technical team visits to customers, development of strong coordination and discussions for further improvement in the anodes and close monitoring system.

High volumes and large value-added product portfolio.



Highlights, 2007-08

The Company commenced the production of advanced carbon materials used in lithium-ion batteries.

Its solid pitch-melting facility at Korba, Chhattisgarh, commenced operations during 2007-08.

It announced a forward integration from creosote oils to the manufacture of carbon black and the setting up of a 12-MW power plant.

It achieved 106 percent capacity utilisation of its distillation capacity.

It enhanced yield through technological advancements, resulting in the ability to process low-quality and off-grade raw materials into high-quality finished products.

It reduced fuel consumption through the additional waste heat recovery equipment.

It realised higher yields of naphthalene with high purity, enhancing gross realisations.

It reduced the cost of raw material movement from steel plants through the use of railway wagons.

The road ahead

The Company expects to increase the coal tar distillation capacity, integrate forward into carbon black production, commission a 12-MW power plant and integrate forward

into the manufacture of value-added products from oil and naphthalene derivatives. It plans to develop a liquid terminal in Longkou (China) for the export of liquid pitch to the global market. It plans to build dedicated solid pitch melting facilities near its major customer plants to provide just-in-time delivery; its first such unit was commissioned in Korba, Chhattisgarh. The Company is planning to set up more such satellite manufacturing units in India and abroad. The Company plans to use its port-based Chinese facility as an export hub and the storage of liquid pitch.

Going ahead, the Company aspires to emerge among the three leading coal tar pitch producers in the world through brownfield and greenfield expansion programmes. It incorporated a wholly-owned subsidiary in Hong Kong to facilitate the acquisition and commissioning of a global greenfield plant.

The Company is also exploring inorganic options for the acquisition of a coal tar pitch manufacturing unit in China, which will supply pitch not only to the Chinese market, but also to the Middle East (where large aluminium capacities are coming up over the next two-three years), CIS and Africa.

Pillar of strength Raw material management

Coal tar is the principal raw material used by the Company, generating a number of products and by-products. This input is obtained from the coke oven batteries through the condensation of gases at a particular temperature. China is the biggest coke producer in the world and coal tar (a by-product of coke) is available in abundance. In view of this, the Company prudently commissioned a manufacturing base in China, which will not only widen its target market, but also secure raw material availability.

In India, the Company sourced coal tar from steel players like SAIL, RINL, TISCO and MMTC. Supplies from India accounted for approximately 67.9 percent of its total raw material requirements, while the rest was imported from China. The Company also possessed a raw material storage capacity of more than 40,000 MT, resulting in round-the-clock availability of raw materials for onward supplies of finished products to customers. The Company invested in tanks capable of storing 250 mn TPA to 5,000 mn TPA of raw material; the insulated nature of the tanks helped maintain a constant temperature, reducing the production cycle time. The Company maintained

a raw material inventory equivalent to three months of production to avoid supply disruptions.

Distillation process

Coal tar is heated to temperatures above 400 degree Celsius in specially designed distillation stills. During the distillation process, heat and vacuum are utilised to separate coal tar into three primary components: coal tar pitch (approximately 55 percent), oils (approximately 36 percent) and naphthalene (approximately 9 percent).

Himadri produced the following chemical products derived from the coal tar distillation process, including the co-products.

COAL TAR

Coal tar pitch (55 percent)

Oils (36 percent)

Naphthalene (9 percent)

Pillar of strength Quality

Himadri enhanced manufacturing processes, products and productivity through resource optimisation and quality management system, leading to superior customer satisfaction. The Company's quality-enhancing initiatives comprised:

Quality-control measures ensured that raw materials, in-process materials and the finished products were subjected to exhaustive testing in line with national and international standards.

Himadri's laboratory provided strict quality-control measures across all products, applying the advanced

analysing methods. The Company followed statistical process control techniques to secure high product uniformity.

The Company introduced technological innovations, reinforced by a wealth of skilled engineers and technicians.

Quality policy

"We are committed to improve manufacturing processes, products and productivity on a continual basis through resource optimisation and quality management system for achieving customer satisfaction."

The Company's R&D laboratory was equipped with sophisticated equipment like Mettler Melting Point apparatus, Wettability Testing apparatus, C/H Ratio Testing apparatus, Special Microscope for determining Mesophase in pitch and absorption spectrometer to manage and analyse quality measures. Besides, thermo-gravimetric analysers demonstrated how the coal tar pitch would behave when used in the customers' furnaces.

ISO 9000:2002 endorsed the Company's quality policy.

The Company matched its end product across 22 chemical and physical parameters; every lot released for despatch was accompanied by a test certificate.

Himadri's coal tar pitch exceeded industry standards in terms of properties, endorsed through customer feedback.

Himadri's impregnating pitch vis-à-vis standard European pitch

Pitch properties	Customer's ideal requirement	European pitch	Himadri pitch
Softening point	85-95	85-95	85-95
QI	<0.10	2 – 4 percent	< 0.10
TI	<16	16-18	< 16
Filterability (g,80 min)	>60	18-20	> 60
Ash	<.05	0.10 percent	< .05 percent
Viscosity at 220 DEG, cps	< 15	20-30	< 15
Coking value	>42	40-42	42



Pillar of strength Research and development

Himadri's cutting-edge research and execution excellence helped convert low-grade coal tar pitch into high-grade coal tar pitch in line with

customer needs. The Company's research and development initiatives comprised the following:

Enhanced technology leadership to offer product diversity to varied industries and applications.

Enabled the Company to emerge as

the market leader for coal tar pitch in India, and one of only three manufacturers of Zero Q.I. impregnating coal tar pitch in the world.

· Leveraged captive technology on one hand, and captive engineering, design and project implementation on the other, to manufacture low-cost coal tar pitch.

· Reinforced its competitive edge through flexibility in raw material use and the capability to set up low-cost capacities, thanks to in-house designing.

· Enhanced naphthalene purity and yield from coal tar.

Demonstrated its capability to produce naphthalene with a 99.5 percent purity level and a crystallisation point of 80 degree Celsius.

· Installed a waste heat recovery system following the recommendations of the R&D team.

Developed special tankers to transport liquid coal tar pitch to customers at a temperature between 230 and 240 degrees Celsius.

Evolved in-house technology to produce pitch-carbon meso beads, a type of advanced carbon material

used in lithium-ion batteries, the only company outside Japan to possess this technology.

· Reduced fuel consumption from 72.443 litres per metric tonne in 2005-06 to 24.843 litres per metric tonne of production in 2007-08.

Road ahead

The Company expects to achieve the following:

· Emerge as the world's lowest-cost, superior coal tar pitch manufacturer.

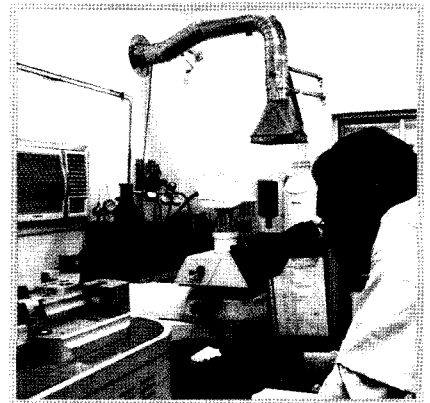
· Develop cutting-edge technology to use petroleum tar in addition to coal tar.

· Evolve in-house technology to extract superior by-products from coal tar and oil distillation.

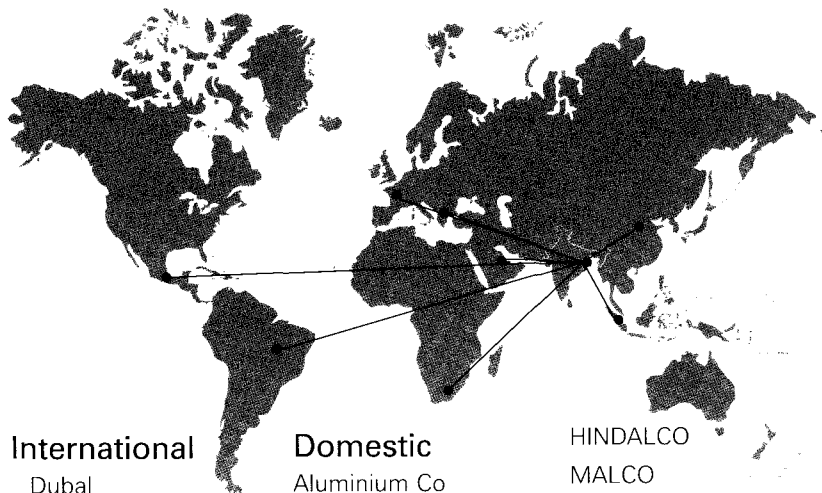
· Develop more value-added by-products from creosote oils like carbon black and super plasticiser from naphthalene.

· Develop technology to produce needle pitch coke, which is a critical input for graphite electrode.

· Develop the value-added chain from oils like Anthraquinone, Carbazole, Phenolic fractions, Quinoline products, Indene, Flourine, etc.



Customers



International

Dubal
Alcoa
Aluminium Greece
SGL
Graitech
Indonesia Asahan
Aluminium

Domestic

Aluminium Co
(70% Mkt share)
NALCO (AP
Technology)
BALCO

HINDALCO
MALCO
Vedanta
Aluminium Limited
Graphite Cos
GIL/HEG

At Himadri, meeting customer expectations is not enough; if we did, then we wouldn't enjoy such longlasting relationships with the companies who rely on us everyday. Our job is to work *alongside each customer as a partner*, to become a part of their team. To always manufacture consistent high-quality products; to facilitate or secure optimised logistics; to provide up-to-date technical and product support, as well as to provide prompt, professional and informative customer service at every step of the process. Every customer interaction offers our employees an opportunity to recognise their needs and develop our business plans.

Pillar of strength Marketing

The Company maintained robust client relationships with industry majors, reinforced by reliability and product excellence. Each aluminium manufacturer needed coal tar pitch customised around 22 demanding physical and chemical properties.

Highlights, 2007-08

Net sales increased by 11.43 percent from Rs. 32,598.32 lacs in 2006-07 to Rs. 36,325.69 lacs in 2007-08.

Exports increased by 463.88 percent from Rs. 810.15 lacs in 2006-07 to Rs. 4,568.25 lacs in 2007-08.

Exports accounted for 10.62 percent of total sales (2.07 percent in 2006-07).

Road ahead

The Company expects to achieve the following:

Develop a liquid terminal in Longkou (China) to commence liquid pitch export.

Build more dedicated melting manufacturing facilities near major customers' plants to facilitate just-in-

time delivery

Use the China port location as an export hub and for liquid pitch storage.

Commission a coal tar pitch manufacturing unit in China to supply pitch not only to the Chinese markets, but also to the Middle East, CIS and African markets.

Extend into the dynamic space of advanced carbon material to capitalise on a growing market for lithium-ion batteries; the market size for this is about 26,000-29,000 MTPA and is growing at 25 percent annually with attractive realisations.

Pillar of strength Logistics

In the manufacture of coal tar pitch, logistics and locational advantages play a crucial role in determining profitability. A presence in eastern India, where a majority of India's aluminium and graphite manufacturing industries are situated, provides Himadri's manufacturing plants a logistical advantage.

Coal tar pitch is marketed in solid and liquid forms; when supplied in liquid form, high temperatures are maintained during transportation. Innovative logistics management at Himadri accelerated just-in-time delivery, while maintaining the right environment during transit protected product safety.

The Company's logistics-management initiatives comprised the following:

The Company has built robust infrastructure and technology to produce, handle and deliver liquid pitch to the aluminium industry.

Transportation of liquid pitch through a dedicated fleet of 80 specialised tankers, the largest fleet

of its kind in India (with an ability to transport liquid at a temperature of around 240°C).

These tankers possess a special electrically heated laser-welded heating cable connected to electric generators. The power transfer unit was installed within, ensuring constant temperature maintenance.

The Company plans to build a liquid terminal in Longkou (China) to export liquid pitch.

Dedicated manufacturing facilities near major customers' plants reflected superior logistics management; the Company commissioned its first such unit near the Balco plant in Korba, Chhattisgarh.

Pillar of strength People

At Himadri, corporate objectives are closely aligned with people empowerment, because people represent Himadri's most vital asset.

To enhance a sense of empowerment, the Company's human resource initiatives comprised the following:

– A rewarding compensation

structure comprising management incentive programmes, performance-linked plans as well as personal, family and retirement benefits

- Conscious employee retention strategy
- Periodic employee feedback surveys (360-degree approach) coupled with competency assessment and performance appraisal
- Introduction of the 'mentor' concept
- Management approachability

The Company's consistent retention focus comprised the following initiatives:

- Market leadership and global visibility resulting in a pride of association
- Nurturing talent and developing a 'people' strategy for organisational growth
- Enhancing employee engagement
- Reinforcing professional and personality strengths through institutionalised appraisals
- Sensitising family values to inculcate openness, trust, transparency and belonging.

Aligning business objectives with corporate values

Business vision

- To become a globally acclaimed leader in coal tar based products



Business objectives

- Focus on growth in India and overseas
- Be the preferred supplier of coal tar products globally

HR philosophy

- Attract, develop and retain talent
- Become the employer of choice
- Create self-motivated/high-performing team
- Meet employees' career aspirations



HR values

- Commitment and accomplishment orientation
- High standards of individual/team performance.
- Enhancement of skill and competence development

Financial review



Accounting policy

The Company's accounts were structured around the mercantile system of accounting; it recognised income and expenditure on an accrual basis, except for those with significant uncertainties. The accounting policy followed in preparing the financial statements conformed to the Indian Generally Accepted Accounting Principles (GAAP), under the historical cost convention on an accrual basis. The financial statements were prepared to comply in all material respects with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

2007-08 vs 2006-07

10.06 percent increase in gross income from Rs. 39,069.98 lacs in 2006-07 to Rs. 43,001.33 lacs in 2007-08.

25.70 percent growth in operating profit from Rs. 10,363.07 lacs to Rs. 13,026.45 lacs.

29.96 percent growth in pre-tax profit from Rs. 8,154 lacs to Rs. 10,597.14 lacs.

34.69 percent rise in post-tax profit from Rs. 6,156.99 lacs to Rs. 8,293.01 lacs.

17.55 percent growth in earnings per share from Rs. 22.39 in 2006-07 to Rs. 26.32 in 2007-08.

Margins

The Company reported a significant rise in margins during the year under review, attributed to an increase in realisations (through an increase in the proportion of value-added products), effective cost control, better raw material yield, reduced fuel consumption, economies of scale and enhanced operating efficiencies. This is the result:

407-basis point increase in EBITDA margin from 31.79 percent in 2006-07 to 35.86 percent in 2007-08.

416-basis point increase in pre-tax profit from 25.01 percent to 29.17 percent.

394-basis point rise in net profit margin from 18.89 percent to 22.83 percent.

434-basis point rise in cash profit margin from 24.34 percent to 28.68 percent.

Return on capital employed declined from 34.15 percent to 26.86 percent.

Revenue

Revenue by growth: The Company recorded a 10.06 percent growth in the gross revenue from

Rs. 39,069.98 lacs in 2006-07 to Rs. 43,001.33 lacs in 2007-08, largely driven by increased installed capacity and high capacity utilisation.

Revenue by geography: Revenue from exports increased by 463.88 percent from Rs. 810.15 lacs to Rs. 4,568.25 lacs on account of a high

proportion of value-added products. Domestic sales increased marginally from Rs. 38,259.83 lacs to Rs. 38,433.08 lacs in 2007-08.

Break-up of revenue

Item	<i>in Rs. lacs</i>		
	2006-07	2007-08	Growth percent
Coal tar by-products	38,923.43	42,804.09	9.97
Coal tar tape	58.66	64.88	10.60
Others	87.89	132.36	50.60
Total	39,069.98	43,001.33	10.06

Cost analysis

Total costs increased by 5.94 percent, from Rs. 24,428.98 lacs in 2006-07 to Rs. 25,879.90 lacs in 2007-08 on account of growing volumes. The Company enhanced operational efficiency to counter growing costs.

Major cost components (as a percentage of the total cost)

Segment	2006-07	2007-08
Raw material	86.06 percent	85.20 percent
Other manufacturing cost and other expenses	8.50 percent	9.31 percent
Power and fuel cost	4.30 percent	4.08 percent
Employee cost	1.14 percent	1.41 percent

Raw material consumed: The absolute cost of raw materials increased from Rs. 21,024.17 lacs in 2006-07 to Rs. 22,050.84 lacs in 2007-08. However, cost of raw material as a proportion of total expense declined from 86.06 percent to 85.20 percent, despite inflation on

account of higher bulk imports.

Power and fuel cost: Power and fuel costs played a critical role in the conversion of coal tar to coal tar pitch. The Company's power and fuel costs marginally increased from Rs. 1,050.69 lacs in 2006-07 to Rs. 1,055.95 lacs in 2007-08, even

though production increased significantly. However, power and fuel cost as a proportion of the total expense declined from 4.30 percent in 2006-07 to 4.08 percent in 2007-08, enhancing margins. The Company used waste heat recovery equipment, installed various equipment and undertook a major fuel consumption

reduction initiative. Electricity consumption declined from 35.49 units/MT of production in 2006-07 to 34.60 units/MT of production in 2007-08, and fuel consumption from 39.91 litres/MT in 2006-07 to 24.84 litres/MT of production in 2007-08.

Employee cost: The Company's employee costs increased from Rs. 279.20 lacs in 2006-07 to Rs. 365.04 lacs during the year under review, following enhanced recruitment and salary revision in line with prevailing standards. As a proportion of the total expense, the employee cost increased from 1.14 percent in 2006-07 to 1.41 percent in 2007-08.

Manufacturing, administrative, selling and other expenses: The Company's manufacturing and other expenses (barring power, fuel and employee costs) increased by 16.06 percent from Rs. 2,074.92 lacs in 2006-07 to Rs. 2,408.07 lacs in 2007-08. The quantum of these expenses as a proportion of the total expense increased from 8.50 percent to 9.31 percent on account of increasing repair and maintenance charges, miscellaneous expenses as well as freight and forwarding expenses during the year under review.

Taxation

The Company's tax outflow increased from Rs. 1,997.01 lacs to Rs. 2,304.13 lacs in 2007-08, following a sharp

increase in profits.

Capital employed

A capital-intensive business like coal tar pitch manufacture demanded progressive investments in capacity expansion. Capital employed in the business increased from Rs. 41,774.74 lacs in 2006-07 to Rs. 55,232.92 lacs in 2007-08 to fund growing capacities and technology upgradation.

Own funds

The Company's net worth grew by 42.90 percent from Rs. 23,731.81 lacs in 2006-07 to Rs. 33,913.58 lacs in 2007-08, following an increase in equity, issue of warrants, growth in the share premium account and plough-back of business surplus.

Equity capital: The Company's authorised share capital increased from Rs. 3,300 lacs (3,30,00,000 equity shares of Rs. 10 each) to Rs. 4,000 lacs (4,00,00,000 equity shares of Rs. 10 each). The Company's share capital comprised 3,15,11,257 equity shares of Rs. 10 each as on 31 March 2008.

Reserves and surplus: The Company's reserves and surplus increased 36.43 percent from Rs. 20,729.78 lacs in 2006-07 to Rs. 28,282.35 lacs in 2007-08. General reserves increased from Rs. 3,020.00 lacs to Rs. 6,017.44 lacs in 2007-08,

attributed to a high plough-back of profits. Over the years, the Company consistently ploughed surpluses back into business, rationalising finance costs.

External funds

The size and cost of debt often determines a company's success and failure. It impacts profitability in the short-term, while over the long-term, it dictates the strength with which the Company is able to mobilise funds for ongoing projects. This is relevant for Himadri, especially for its forthcoming projects. The Company's total debt during the year increased by Rs. 3,276.41 lacs in 2007-08 to Rs. 21,319.34 lacs.

Interest outflow marginally declined from Rs. 1,148.18 lacs in 2006-07 to Rs. 1,114.36 lacs in 2007-08, even as the Company's business grew significantly. Interest cover stood at a high 10.51 in 2007-08, while interest

as a proportion of turnover declined marginally to 3.07 during the same period. The Company's debt-equity ratio declined from 0.76 (as on 31 March 2007) to 0.63 (as on 31 March 2008), creating an attractive foundation for prospective fund-raising.

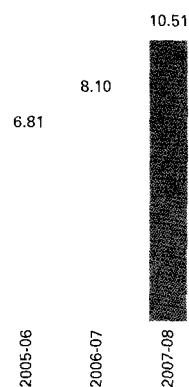
Gross block

The size and quality of the gross block represents a company's competitive edge, indicating operational scale and efficiency. Over the year, the Company strengthened its gross block by 36.78 percent to Rs. 29,897.21 lacs, comprising new additions of Rs. 8,039.49 lacs.

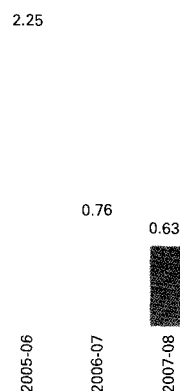
The Company's capital work-in-progress increased significantly by 433.34 percent, from Rs. 930.57 lacs to Rs. 4,963.09 lacs, mainly on account of its upcoming carbon black project in West Bengal.

The Company's depreciation provision increased from Rs.

Interest cover



Debt-equity ratio



The Company reported an attractive ROANW of 30.39 percent in 2007-08, nearly 3.51 times higher than it had reported in 2003-04.

1,060.89 lacs in 2006-07 to Rs.

1,314.95 lacs in 2007-08.

Depreciation on fixed assets of the Liluah Unit-II (Howrah), Mahistikry (Hooghly) and Korba (Chhattisgarh) was provided on the Straight Line Method and on other fixed assets was provided on the written down value method at rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

Investments

During the year under review, the Company's investments declined from Rs. 279.46 lacs to Rs. 205.96 lacs.

Working capital

Working capital constituted 47.81 percent of the total capital employed in the business. The outlay increased from Rs. 23,165.07 lacs as on 31 March 2007 to Rs. 26,404.82 lacs as on 31 March 2008. The working capital as a percentage of capital employed declined from 55.45 percent to 47.81 percent.

Inventory: The Company's inventory increased from Rs. 8,256.87 lacs in 2006-07 to Rs. 12,825.01 lacs in 2007-08 consequent to a growth in business. The Company followed an efficient inventory management system supported by IT systems.

Debtors: Debtors increased in

absolute terms from Rs. 4,267.11 lacs in 2006-07 to Rs. 6,829.92 lacs in 2007-08, while the debtors' cycle increased from 48 days to 69 days in 2007-08. Only 3.47 percent of the debtors were over six months.

Cash-and-bank balances: The Company's cash-and-bank balances declined significantly from Rs. 9,559.15 lacs in 2006-07 to Rs. 1,564.96 lacs in 2007-08, on account of a decline in fixed deposits with scheduled banks and an increase in gross block investments and a corresponding increase in fixed asset investments.

Loans and advances: Loans and advances constituted 31.04 percent of the total current assets of the Company. Loans and advances increased from Rs. 5,812.23 lacs in 2006-07 to Rs. 9,550.47 lacs during the year under review. Loans and advances comprised advances recoverable in cash or in kind made to suppliers, various duties and taxes receivable as well as earnest money or security deposits.

Creditors: There was a 37.51 percent increase in creditors from Rs. 1,298.58 lacs in 2006-07 to Rs. 1,785.64 lacs. The creditors' cycle increased from 15 days in 2006-07 to 18 days in 2007-08, indicating better bargaining.

Provisions: Provisions declined from Rs. 3,431.71 lacs in 2006-07 to Rs. 2,579.90 lacs in 2007-08 due to a decline in the provision for proposed dividend by Rs. 945.33 lacs.

Foreign exchange management

Foreign currency transactions were recorded at the exchange rate prevailing on the date of transaction. The foreign currency monetary items were reported using the closing rate. Non-monetary items, which were carried in terms of historical cost denominated in a foreign currency, were reported using the exchange rate on the date of transaction. The Company recognised exchange differences arising from the settlement or conversion of monetary current assets and liabilities as income or as expense during the year in which they arose.

During the year under review, the Company imported raw material worth Rs. 5,244.95 lacs and capital goods worth Rs. 2.97 lacs. There was also a foreign exchange outflow on account of travelling and other expenses. The Company's exports witnessed a growth of 463.88 percent from Rs. 810.15 lacs to Rs. 4,568.25 lacs during the year under review.

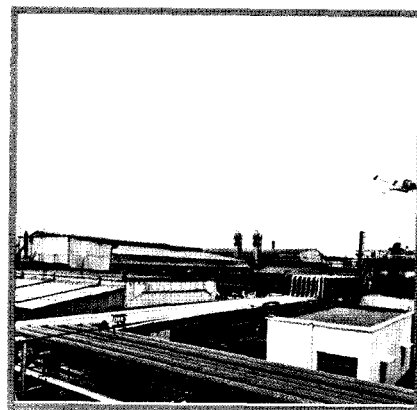
Total shareholders' return (TSR)

The TSR improved from Rs. 143.50 per share in 2006-07 to Rs. 163 per share in 2007-08. TSR reflected the gain earned by shareholders – directly and indirectly (directly in the form of dividend received and indirectly in the form of capital appreciation registered by the stock during the financial year under review). TSR was derived by subtracting the market capitalisation at the beginning of the year from the market capitalisation at the year end, and its subsequent addition to the dividend payout during the year.

Return on net worth (average)

The sustainability of a Company's operations is gauged by its return on average net worth (calculated by dividing the profit after tax by the average net worth for the year), which factors in the re-investment of shareholders' funds into the business.

The Company reported an attractive ROANW of 30.39 percent in 2007-08, nearly 3.51 times higher than it had reported in 2003-04. The Company's ROANW is expected to strengthen once the funds mobilised in 2007-08 are deployed in the high-margin core business.



Risk management

At Himadri, risk understanding and management is not an ad hoc strategy, but part of a rich insight into business fundamentals and market realities to create enduring stakeholder value.

Himadri's stable, strong and sustainable business model provides insulation from adverse external circumstances, which is reflected in the following realities:

- **Low negotiating power of suppliers:** Thanks to a large number of steel industries in India and also the import of low price raw material, Himadri enjoys a high negotiating power with its suppliers.
- **High negotiating power with buyers:** Coal tar pitch being the

critical raw material in the production of aluminium and steel and also a major cost component, the Company enjoys a high negotiating power with buyers.

- **High-entry barriers:** Himadri's dominant position in coal tar pitch business, along with its in-house technological capabilities has created high-entry barriers for new players to enter into this business. The product approval process itself takes 18-24 months. The infrastructure required for meeting the customers'

requirement is also very significant and highly technology intensive.

- **No substitutes:** Coal tar pitch is the key raw material in the manufacture of aluminium anodes and graphite electrodes and cannot be substituted with another material.
- **Intra-industry rivalry:** Himadri has neutralised intra-industry rivalry by becoming one of the lowest cost coal tar pitch manufacturers in the world. It also enjoys the benefits of highly value-added products derived from the distillation process.

■ Industry risk ■

Sluggish growth in user industries may result in lower earnings.

Mitigation

- Coal tar pitch's domestic demand is expected to grow at a CAGR of 31.90 percent, between 2008 and 2012, reaching 4 mn TPA by 2012, while global coal tar pitch

demand is expected to post a 7.8 percent CAGR, reaching 7.2 mn TPA by 2012.

- The global aluminium industry is expected to grow at a CAGR of 7.8 percent for the period 2007-12.
- The production of graphite electrode in India is likely to increase from 93,000 TPA to 1,60,000 TPA by 2011.

■ Strategy risk

An error in strategy could erode Himadri's market share.

Mitigation

- The Company's China strategy will serve a dual role: it will enable the Company to source coal tar and widen the Company's market for coal tar pitch.
- The market for lithium-ion batteries is expected to grow substantially as it is preferred over the alkaline alternative. These batteries account for around 70 percent of the

rechargeable battery market and are growing attractively.

- Innovative strategies like setting up dedicated facilities near major customers' plants have enhanced sales and brand equity while lowering transportation and inventory costs.
- Himadri's timely expansions have coincided with the global aluminium and steel consumption surge, generating a strong demand for coal tar pitch.

■ Execution risk

The Company runs the risk of not executing its strategies successfully, which could lead to a decline in growth.

Mitigation

- The Company plans to increase the capacity of its existing plant in a three-phased manner in Hooghly, West Bengal. In the past it successfully implemented the same project at this site.
- The Company incorporated a wholly-owned subsidiary in Hong Kong to facilitate global acquisitions and set up a global greenfield plant.

■ The Company plans a coal tar pitch manufacturing unit in China to enhance its presence in the Middle East (where large aluminium capacities are coming up over the next few years), CIS, Africa and China. The plant will go on stream in 2009.

- The Company embarked on the production of advanced carbon material in January 2008.
- The Company is already setting up a carbon black plant, which will go on stream by the end of 2008.

■ Cost risk

Imprudent cost-control could dent the Company's margins.

Mitigation

- The Company reduced logistic costs by setting up manufacturing units close to steel plants; besides, the transportation of raw material by rail proved cheaper compared with road transport.
- The Company's additional waste recovery plant reduced

fuel and power consumption.

- Following the commissioning of the proposed carbon black unit and the waste heat power plant, Himadri's power cost will decline attractively.
- The Company is insulated from crude price volatility as it derives carbon black feedstock (the key raw material for the production of carbon black) from its distillation process of producing coal tar pitch.

Raw material risk

Inadequate raw material supply could affect productivity

Mitigation

- As the largest manufacturer of coal tar pitch, Himadri enjoys a robust relationship with domestic raw material suppliers, resulting in abundant supply.
- The Company invested in tanks of various capacities capable of storing 250 MTPA to 5,000 MTPA of raw

material at constant temperatures, reducing production cycle time.

- The Company's raw material inventory can sustain at least three months' production at any given time.
- The Company has demonstrated a capability to produce superior coal tar pitch using alternative raw materials not necessarily of a high quality including petroleum tar.

Quality risk

Inconsistent quality could lead to client attrition.

Mitigation

- Himadri's quality-control comprises a thorough inspection of raw materials, in-process materials and finished products.
- The Company's quality certifications (ISO 9000:2002)

have reinforced quality commitment.

- The Company's coal tar pitch is reputed for quality excellence, leading to consistent use by prominent domestic and global aluminium smelters.
- The Company created high-entry barriers in the coal tar pitch business through superior quality at low costs.

Geographic risk

The Company may fail to enhance market visibility in the event of limited geography concentration.

Mitigation

- The Company incorporated a wholly-owned subsidiary in Hong Kong to facilitate global acquisitions.

- The Company is commissioning a coal tar pitch manufacturing unit in China to service diverse markets.
- The Company is expected to use a Chinese port as an export hub and for the storage of liquid pitch.

Competition risk

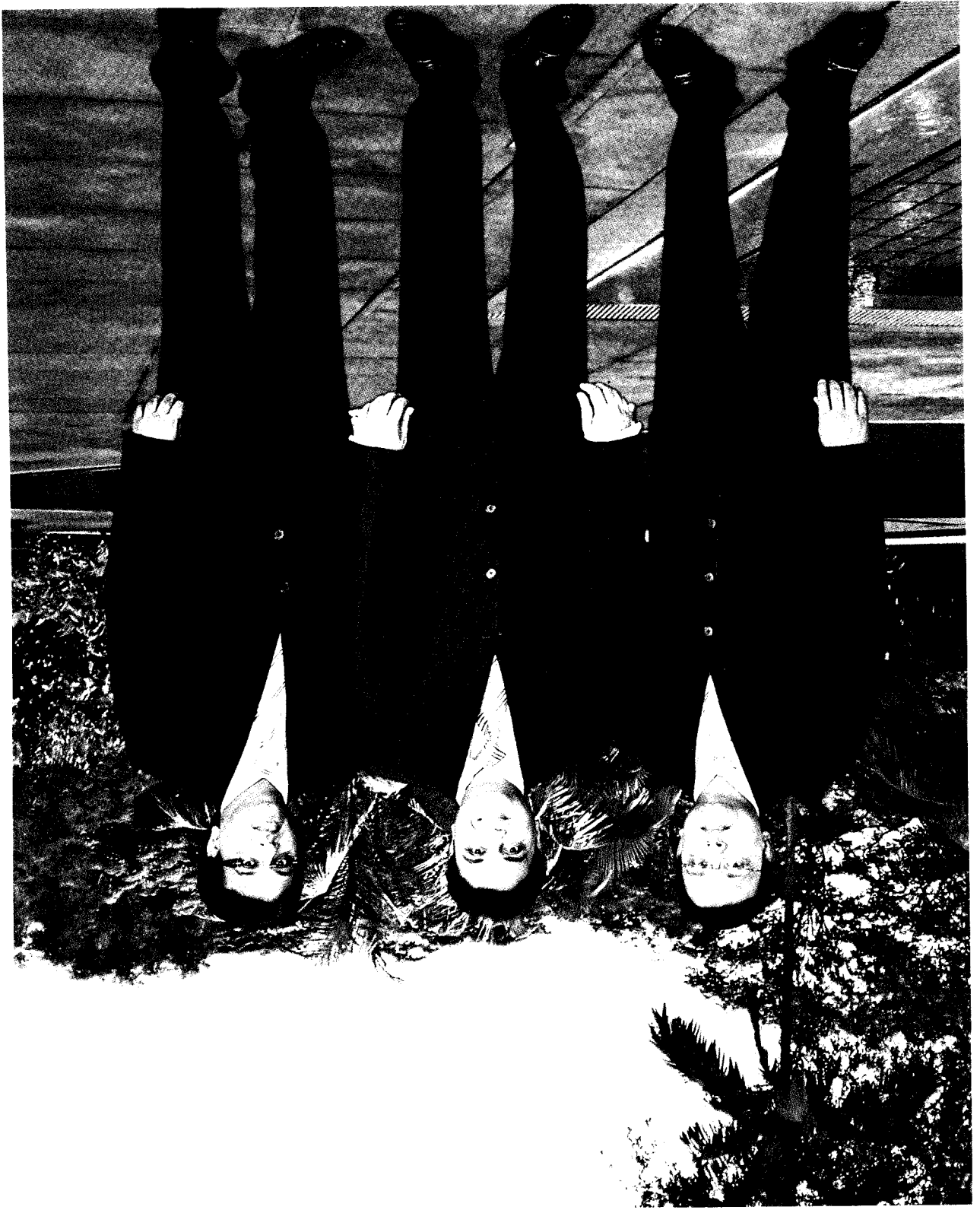
The Company's growth may attract competition.

Mitigation

- The Company's capital cost per ton is significantly lower than the prevailing industry benchmark for greenfield projects.

The Company leveraged its technology to emerge as one of the world's leading low-cost coal tar pitch manufacturers.

- The Company commissioned coal tar pitch melting plants close to large buyers, effectively ensuring a preferred vendor status.



driving force

President
(Operations) of the Company, possesses extensive technical knowledge about the coal tar industry, consistently involved with the innovation of new products and technology. Over the years, his contribution has enabled the Company to introduce a number of new, improved processes and products. He has played a significant part in the Company's forward-integration projects in India and abroad, besides achieving operational efficiencies. He has helped in creating high-entry barriers in the coal tar industry through superior and world-class product quality at low costs.

the CEO of
Himadri Chemicals and Industries Limited, is in charge of the overall management of the Company. He is associated with strategy development, vision, planning and decision-making. He has adopted the leadership role in acquisitions/mergers/joint ventures, as well as in planning of establishing plants abroad. Under his leadership, the Company could acquire its global presence, empowered by quality products. He helped the Company transform itself from a family-managed organisation to a professionally-managed one of global standing. His innovative strategies and dedicated involvement enabled the Company to achieve outstanding growth and increasing shareholder value. He continues to put his best efforts to enhance the Company's success.

President (Projects)
of the Company, possesses a vast experience in implementation and execution of projects, having received extensive appreciation. The company successfully implemented its past projects within the stipulated time and at minimum cost with his dedicated contribution. He has taken the challenge to execute all the forthcoming projects of the Company globally within time and the estimated project cost, which is apprehended online. He is making an ardent effort in integrating all the downstream projects at Mahistikry, Hooghly (West Bengal).

Board of Directors

The performance of the windmills at Dhule in Maharashtra remained satisfactory and produced 35,11,198 Kwh wind energy and generated a revenue of Rs. 125.81 lacs during the year under review.

Dear members

We are pleased to present the twentieth Annual Report of the Company, together with the audited financial statements and the auditor's report of your company for the financial year ended March 31, 2008.

The financial results of the Company for the year under review and those of the previous year are given below:-

(Rs. in lacs)

	For the year ended 31.03.2008	For the year ended 31.03.2007
Gross turnover	43,001.33	39,069.98
Other income	545.50	322.80
Total income	43,546.83	39,392.78
Operating profit	13,026.45	10,363.07
Interest & finance charges	1,114.36	1,148.18
Depreciation	1,314.95	1,060.89
Profit before tax	10,597.14	8,154.00
Provision for tax		
Current tax (including FBT)	1,839.00	1,588.38
Deferred tax	465.13	408.63
Profit after tax	8,293.01	6,156.99
Add: Surplus brought forward	4,185.56	2,873.83
Add: Prior year adjustments	(0.54)	(1.93)
Surplus available for appropriation	12,478.03	9,028.89
Appropriations		
Transfer to General Reserve	3,000.00	3,000.00
Proposed dividend	630.23	1,575.56
Dividend tax	107.11	267.77
Balance carried to Balance Sheet	8,740.69	4,185.56

Dividend

Your Directors, considering the good performance, and in view of further funds needed for various ongoing expansion programmes, are pleased to recommend a dividend of Rs. 2 per share on 3,15,11,257 equity shares of Rs. 10 each for the financial year ended March 31, 2008, as compared to Rs. 5 per share in the previous year. The total payout on dividend (including tax) will be Rs. 737.34 lacs as against Rs. 1,843.33 lacs in the previous year.

Operations

During the year under review, the Company achieved a turnover of Rs. 363.26 crore as compared to Rs. 325.98 crore in the previous financial year; representing an increase by 11.44% from the previous year. The net profit after tax increased by 34.69% from Rs. 61.57 crore in the previous financial year to Rs. 82.93 crore this year. The improved performance was a result of a strong focus on operational efficiencies through in-house technology.

Windmills

The performance of the windmills at Dhule in Maharashtra remained satisfactory and produced 35,11,198 Kwh wind energy and generated a

revenue of Rs. 125.81 lacs during the year under review.

Wholly-owned subsidiary in Hong Kong

Himadri Global Investment Ltd is the wholly-owned subsidiary of the Company. The financial statements of the subsidiary company as required under Section 212 of the Companies Act, 1956, is attached hereto forming a part of this report.

Consolidated Financial Statement

As stipulated in the Listing Agreement with the stock exchanges, the Company has prepared Consolidated Financial Statements in accordance with the relevant Accounting Standards issued by the Institute of Chartered Accountants of India. The audited Consolidated Financial Statements along with the Auditor's Report thereon form part of the Annual Report.

Expansion, modernisation and diversification Carbon Black Project with captive power plant

During the year under review, the Company has undertaken a project at Mahistikry in West Bengal for the manufacture of carbon black with an

annual capacity of 50,000 MT and a captive power plant of 12 MW capacity based on waste heat gas through forward integration. The cost of the project will be financed partly by banks and financial institutions and partly through the internal accruals. The plant is expected to be operational by the end of the third quarter of the current financial year.

Finance

Issue of warrants on preferential basis

The Company with an object to part finance its ongoing expansion program, and to meet the increased demand of working capital, has issued 27,62,000 warrants convertible into equal number of shares during the year on preferential basis to Citigroup Venture Capital International Growth Partnership Mauritius Ltd. and promoters at a premium of Rs. 416 per share in terms of the special resolution passed by the Company at the Extraordinary General Meeting held on December 8, 2007. The Company has received a sum of Rs. 2,588.46 lacs as deposit against these warrants. The Company has obtained the necessary approval from the stock exchanges for listing the resultant shares that are to be issued upon conversion of these warrants.

Authorised capital

The Board, with a view of giving effect to the various capital raising proposals, during the year under review, has increased the authorised capital of the Company from Rs. 33 crore divided into three crore thirty lacs equity shares of Rs. 10 each to Rs. 35 crore divided into three crore fifty lacs equity shares of Rs. 10 each by way of passing an ordinary resolution at the Extraordinary General Meeting held on December 8, 2007 and it was further increased to Rs. 40 crore, divided into four crore equity shares of Rs. 10 each through the process of Postal Ballot conducted on March 3, 2008, pursuant to Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001. The Board further proposed to increase the authorised capital up to Rs. 50 crore.

Working capital

The Company, during the year has been sanctioned enhanced working capital facilities under multiple banking arrangements from the Central Bank of India, State Bank of India, Citibank N.A, Yes Bank Limited and The Hong Kong and Shanghai Banking Corporation Ltd and the Company has been regular in servicing these debts.

Directors

Sri Damodar Prasad Choudhary and Sri S.K. Saraf, Directors of the Company, retire by rotation and are eligible for reappointment. Particulars of the Directors seeking reappointment are given in annexure to the notice.

Particulars of employees

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, are not applicable, as none of the employees, either employed throughout the financial year or part of the financial year, received remuneration in excess of the limit prescribed under the rules amended till date.

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

Information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required to be given, pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (disclosure of particulars in the report of the Board of Directors) Rules, 1988, is annexed hereto, forming part of this report.

Corporate Governance

Your Directors strive to attain high standards of Corporate Governance while interacting with all our shareholders. As per Clause 49 of the Listing Agreement, a separate section on Corporate Governance, along with a certificate from the Auditors of the Company, confirming the compliance of conditions of Corporate Governance, is given in Annexure hereto forming part of this report.

Management Discussion and Analysis

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

Directors' responsibility statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, the Board of Directors hereby confirm that:

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures if any;

ii. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

iii. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

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

Public deposit

The Company has not accepted any deposit from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956, during the financial year.

Auditors

The Statutory Auditors M/S. S. Jaykishan, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment. The Company has received a letter from them to the effect that their appointment, if made,

would be within the limits prescribed under Section 224(1-B) of the Companies Act, 1956, and they are not otherwise disqualified within the meaning of Sub-Section (3) of Section 226 of the Companies Act, 1956, for such appointment.

The notes to accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further explanation.

Listing with stock exchanges

The equity shares of the Company are continued to be listed with Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) and The Calcutta Stock Exchange Association Limited (CSE) and the Company has been regular in paying the listing fees to the stock exchanges.

Dematerialisation of shares

There were 3,02,12,001 equity shares of the Company held by the shareholders in dematerialised form as on March 31, 2008, representing 95.88% of the total paid-up capital of the Company. The Company's equity shares are compulsorily required to be traded in dematerialised form; therefore, members are advised to expedite the process of converting the physical shareholding into

dematerialised form through their D/P(s).

Industrial relations

Industrial relations at all the works/units of the Company continued to remain cordial during the year. Various measures were adopted by the management to enhance efficiency, competency and skills of individual employees through training programmes and motivation.

Your Directors greatly appreciate the commitment and dedication of all the employees at all levels that has contributed to the growth and success of the Company.

Acknowledgement

Your Directors wish to place on record their appreciation for the continued support and cooperation extended to the Company by its customers, suppliers, bankers, various regulatory and government authorities. Your Directors also thank the shareholders for their continued support.

For and on behalf of the Board

Place: Kolkata **D.P. Choudhary**
Date : June 16, 2008 *Chairman*

Annexure to the Directors' Report

Information as per Section 217(1) (e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors Report for the year ended March 31, 2008

A. Conservation of energy

Energy conservation is an on-going activity in the Company and wherever possible energy conservation measures have been implemented. The efforts to conserve and optimise the use of energy through improved operational methods and other means will continue.

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

FORM - A

Disclosure of particulars with respect to conservation of energy

1. Power & fuel consumption

	Unit	Current year	Previous year
i) Electricity			
Unit	Kwh	60,92,172	47,49,480
Total	Rs.	2,47,44,144	2,00,16,442
Rate per unit	Rs./Kwh	4.06	4.21
ii) Fuel			
Quantity	Kltrs	4,374.087	5,340.876
Total cost	Rs.	7,49,58,906	8,19,04,585
Average rate	Rs./Kltr	17,137.04	15,335.42
iii) Diesel			
Quantity	Ltrs	1,77,489	88,879
Total cost	Rs.	58,91,468	31,48,244
Average rate	Rs./Ltr	33.19	35.42
2. Consumption per unit of production			
Total production	MT	1,76,068	1,33,833
Electricity	Units/MT	34.601	35.488
Fuel	Ltrs/MT	24.843	39.907
Diesel	Ltrs/MT	1.008	0.664

B. Technology absorption

FORM -B

Disclosure of particulars with respect to technology absorption and Research and Development

1. Research and Development and benefits derived therefrom

(a) Research and Development Department of the Company continued to play a vital role in the following areas

(i) Better control on inputs and on improving the quality of the output to match with international specifications.

(ii) Finding out ways and means for saving energy and cost.

(iii) Optimisation of resource usage and refinement of process technology.

(iv) Alternative usage of carbon black feed stock as input in the manufacturing of coal tar pitch.

(v) Safe and environment friendly processes.

3. Foreign exchange earnings and outflow

	Current year (Rs.)	Previous year (Rs.)
Total foreign exchange used	53,28,34,802	73,30,47,303
Total foreign exchange earned	11,24,71,627	1,89,50,645

For and on behalf of the Board

Place: Kolkata

Date : June 16, 2008

D.P.Choudhary

Chairman

(b) Future plan of action

The Company is presently involved in the development of mesophase pitch, carbon fibre, super plasticizer, needle pitch coke and various high value-added oil derivatives.

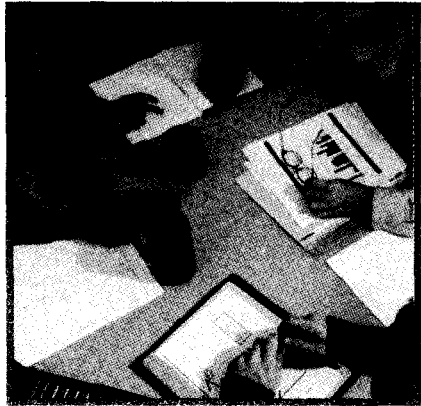
(c) Expenditure on Research and Development

Capital expenditure, as well as recurring expenditure incurred from time to time during the year on laboratory items, tools, spares, handling equipments and salaries of research personnel, remain merged with various heads as per established accounting policy and separate details are not maintained.

2. Technology absorption, adoption and innovation

Continuing efforts are being made to adopt the modern technology and to keep abreast of the latest development in order to meet the changing needs of both domestic and overseas markets.

Management Discussion



Company background and nature of business

The Company is engaged in the processing of coal tar to produce coal tar pitch and several other value-added by-products. It has manufacturing units in Andhra Pradesh, Korba (CGS) and West Bengal. Coal tar is the primary input for distillation and for manufacture of various grades of pitch which are being used as inputs in aluminum and graphite. India is one of the leading producers of aluminum in the world with the largest reserves of bauxite. Himadri is the largest supplier of coal tar pitch in the country enjoying 70% of the market share. The domestic market has shown positive growth in terms of overall consumption of coal tar pitch. The Company is in a position to cater not only to the growth of aluminum industries in India but also there is a scope for extended foreign trade by exporting the surplus to Europe and the eastern countries. During the financial year 2006-07, the Company ventured into the wind energy business segment and installed two windmills with an annual capacity of 2.50 MW in Maharashtra. Further, the Company, with a view to expand its operations in the global market, acquired a 100% wholly-owned subsidiary in Hong Kong. It has opened an office in China in the previous year with a view to liaison its

import activities. During the financial year under review, the Company started installing the Carbon Black Project with captive power plant of 12 MW in West Bengal.

Himadri has undergone continued technological and organisational development since its inception, paving its way to become the industry leader. It has taken innovative approach to address the anticipated needs of its customers.

Management

The Company is managed by its Board of Directors. The maximum Board strength is nine with a combination of Executive and Non-Executive Directors. With a view to ensure a high degree of transparency, the Company has co-opted one nominee Director on the Board at the instance of Citigroup Venture Capital International Growth Partnership Mauritius Limited, which holds about 14% stake in the Company as its nominee, with effect from April 27, 2007, in accordance with the terms of the Investment Agreement entered by the Company in pursuance of the issue and allotment of shares and warrants on preferential basis.

Opportunities

Market perspective

The Indian economy has witnessed a continued growth across all the

sectors. It shows a positive future prospects and opportunities to significantly increase the sales in the domestic market. Similarly, on the export front, the results are encouraging and the management is optimistic about entering the international market. With a view to expand its wings in the global market, Himadri is looking forward to opportunities in the overseas market, in the form of J/Vs, acquisitions, etc.

Forward integration

During the year under review, the Company undertook a project at Mahistikry in West Bengal, for the manufacture of carbon black, with annual capacity of 50000 MT supported by a captive power plant of 12MW capacity based on waste-heat gas by way of forward integration. The cost of the project will be partly financed by banks/ financial institutions and partly through internal accruals. The management is optimistic about completing the project by the end of the third quarter of the current fiscal.

Production perspective

The Company enhanced its production capacity to cater to the demand of the products in the domestic as well as the international market. There are opportunities to shift the product mix because of higher value addition to oils and

naphthalene. The distillation plant is primarily dedicated to production of high temperature coal tar pitch especially for the aluminum and graphite industries. The management, with a view to ensure better utilisation of expanded capacity of its Mahistikry plant, has further embarked upon the installation of one more forward-integration plant for the manufacture of advanced carbon material. The first phase was completed in January, 2008.

Performance, sales and profitability

With a satisfactory performance, the Company's sales grew by 11.44% from Rs. 325.98 crore to Rs. 363.26 crore in the last fiscal. Its net profit after tax increased by 34.69% from Rs. 61.57 crore in 2006-07 to Rs.82.93 crore in 2007-08. The management is optimistic about sustaining the pace of growth in future.

Financial perspective

The Company, with a view to part-finance its on going expansion, and to meet the increased demand of working capital, has issued 27,62,000 warrants convertible into equal number of shares during the year on preferential basis to Citigroup Venture Capital International Growth Partnership Mauritius Ltd. and promoters, at a premium of Rs. 416 per share in terms of the special

resolution passed by the Company at the Extraordinary General Meeting held on December 8, 2007. The Company has received a sum of Rs. 2,588.46 lacs as deposit against these warrants. The Company has obtained necessary approval from the BSE and NSE for listing the resultant shares that are to be issued upon the conversion of these warrants.

E. R. P.

The Company has successfully implemented an Enterprise Resource Planning (ERP) within the Company, and it has been running successfully, except some teething problems. The management has been taking all measures to remove bottlenecks and the networking of all the branches and location has been well connected with this package. The training for employees has been provided in phases so as to take full benefit of the system.

Management systems

Himadri has established a Det Norske Veritas Management System which adheres to the quality management system standards prescribed by ISO 9001: 2000. The objective of this system is to consistently improve and promote a sound management system which ensures a greater degree of satisfaction to its customers. The certification is subject to renewal by 2011.

Threats

Raw material cost

The main source of raw material, steel plants, are geographically spread across the country. The management, with a view to minimise cost, has undertaken massive expansion plans, nearer to the sources of raw materials, which will reduce the cost of transportation, ensure the adequate flow of raw materials and reduce dependence on imports.

Transportation

Transportation is a major threat to the coal tar distillation industry. Himadri heavily depends upon road transport. Liquid form of the raw material procured from major steel plants across the country, requires the availability of tankers to ensure the adequate flow of materials without any interruption of the production process. Further, the cost of transportation remains a concern since the crude prices at the international level continues to surge.

Human resources

Himadri has an adequate employee strength across all the units as on March 31, 2008. A successful management team recognises that nurturing and recruiting the best talent is vital to the long term success of the enterprise. The inability to retain such talent might have an adverse impact on the business and the future

performance of the Company. Employees are provided with continuous opportunities for active learning and development which are viewed as key drivers of their personal growth and the success of the Company. The management expects to retain experienced manpower through attractive remuneration packages links directly with performance. This performance management system reinforces our work ethics. Industrial relations at all the work units of the Company remained cordial and harmonious. The management provides ample opportunities to its employees for on-work training.

Risks and concerns Management

Himadri is exposed to specific risks that are particular to its business and the environment within which it operates, including inter-alia, market risks, competition, human resources risk, economic cycle risk, etc. The management is aware that all industries face cyclical risks. In addition to this, the government policies of imports, exports, taxation, service tax, sales tax laws, depreciation, interest rates and other related areas also have a direct or indirect impact on the performance of the Company. Apart from these, unforeseen natural disasters, geo-political problems, also have an adverse impact on the performance of

the Company. The Company's entire raw materials come from domestic procurements and imports. However, with further expansion, it may not be possible and the management therefore, has been actively engaged in identifying new and alternate sources of raw materials. The Indian economy has been showing positive growth for the last couple of years, and any change or downfall in the growth rate could adversely impact the performance of the Company. The company carries out a detailed Risk Management exercise for purposes of identification of risks and implementing processes and controls to mitigate these risks. The audit committee reviews the risk management framework of the Company and approves risk management action plans.

Statutory compliance

The Company, with a view to cover the risk of compliance with various rules and regulations of the Companies Act, SEBI and Listing Agreements, has adopted a system of obtaining declaration from designated persons of such compliance. It obtains confirmation from the various units of the Company of compliance with all the statutory requirements. A declaration regarding compliance with the provisions of the various statutes is made by the Managing Director at each Board meeting. The Company Secretary, as Compliance Officer,

ensures compliance with the SEBI regulations and provisions of the Listing Agreements. The Chief Financial Officer acts as the Compliance Officer for the prevention of insider trading.

Internal control systems

The Company has put in place adequate internal control measures in all the risk areas. The management, with a view to strengthen the internal control system and long-term benefits of I.T. Vision has successfully implemented the E.R.P. programme in the Company. This will enable the management to review the operations online and take effective and corrective measures, if required. The Company has adopted proper and adequate systems of internal controls to provide reasonable assurance that all assets are safeguarded, transactions are authorised, recorded and reported correctly and to ensure compliance with policies, statutes and code of conduct. The internal control system provides for well-documented policies, guidelines, authorisation and approval procedures. The effectiveness of the internal control is continuously monitored by the team of professionals.

The management meets frequently with departmental heads to remove the difficulties and provide guidance and solution to a problem. The subordinates are free to access their

departmental heads and express their difficulties and find a solution. Apart from this, the Company has an Audit Committee which regularly reviews the reports submitted by the audit team. The committee meets at regular intervals and reviews audit observations and follows up for implementation of corrective measures as suggested by the auditors. The Company's internal control systems are well defined. Standard operating procedures are being framed for all material operating functions.

The Company has well established comprehensive internal control systems, process, rules, policies and procedures for effective monitoring and control of the entire operations of the Company and its subsidiary. With a view to ensure effective controls and implementation of policies of the management, the Company has appointed an efficient team of professionals. The Finance Department is well staffed with experienced and qualified personnel who play an important role in implementing and monitoring the internal control environment and compliance with statutory requirements. The management has been continuously reviewing the performance of these professionals to ensure adherence to the management policies. The internal control systems are constantly reviewed and updated.

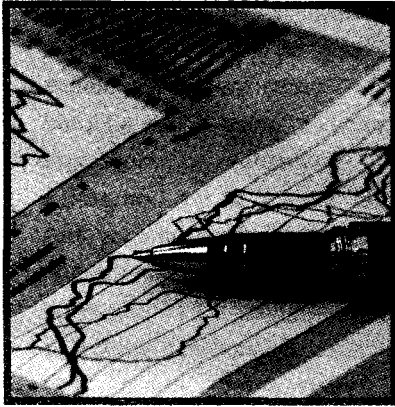
Outlook

The outlook of the industry within which the Company operates, seems to be positive, since it has adopted various expansions to meet the increased demand of the Company's product. Further, the Company has focused on the diversification through forward integration. It has embarked upon further expansions, producing higher value-added items. The management is optimistic about sustaining the pace of growth in the foreseeable future.

Cautionary statement

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

Corporate



1. The Company's philosophy on Corporate Governance

At Himadri Chemicals & Industries Limited, we recognise the importance of Corporate Governance, ensuring good governance through disclosures, transparency, integrity, accountability responsibility and fairness in all its dealings with employees, shareholders, customers, suppliers and society at large. Good Corporate Governance is an essential ingredient of good business, relating to a system or processes that direct corporate resources and management strategies towards maximisation of stakeholders' confidence, while ensuring transparency and accountability in the conduct of business within an acceptable limit of legal and ethical framework. The Company adopts the best practices in the area of Corporate Governance, thereby protecting the interest of all its stakeholders. The Board considers itself as a trustee of its shareholders, acknowledging its responsibilities to the shareholders for creation and safeguarding their wealth. During the year under review, the Board continued its endeavours for achieving these objectives by adopting and monitoring corporate strategies, prudent business plans, major risks and ensuring that the Company pursues policies and procedures to satisfy its ethical responsibilities. Himadri is committed to doing business in an efficient, responsible, honest and ethical manner. Good Corporate Governance goes beyond compliance and involves a

company wide commitment. This commitment starts with the Board of Directors, which executes its responsibilities on corporate governance by focusing on the Company's strategic and operational excellence and in the best interests of all our stakeholders, employees and our customers in a balanced fashion with long term benefits to all. The business policies are based on ethical conduct, health, safety and a commitment to building long term sustainable relationships.

2. Board of Directors

As stipulated in Clause 49 of the Listing Agreement with stock exchanges, the Company has an optimum combination of Executive and Non-Executive Directors. The present strength of the Board of Directors comprises nine Directors, including one nominee appointed by the Citigroup Venture Capital International Growth Partnership Mauritius Limited. The Board consists of, the Chairman who is a Non-Executive Director, three Executive Directors and five Non-Executives Directors, out of which four are Independent.

The Company had no pecuniary relationship or transactions with the Non-Executive Independent Directors during 2007-08. The Independent Directors are not related with promoters or persons occupying management positions at the Board level or any level below the Board; they were neither in employment for the last three years nor they are material suppliers, service providers or customer or a lessor or a lessee of the Company, which may

affect their independence. They do not hold a substantial share in the Company.

None of the Directors on the Board is a Member of more than ten Committees and Chairman of more than five Committees as specified in Clause 49 of the Listing Agreement, across all the companies in which he is a Director.

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

3. Meetings of the Board of Directors

During the year under review, seven meetings of the Board of Directors i.e., on 27.04.2007, 28.05.2007, 26.07.2007, 20.08.2007, 24.10.2007, 09.11.2007 and 16.01.2008 were held within a maximum time gap of about four months and the required minimum information were made available to the Board for discussion. The dates for the Board meetings were decided well in advance and communicated to the Directors. Board meetings were held at the Company's Registered office. The agenda along

with the explanatory notes are usually sent in advance to the Directors. Additional meetings of the Board were held as and when deemed necessary by the Board.

The names and categories of the Directors on the Board, their attendance at the Board meetings held during the year and at the last Annual General Meeting, as also the number of Directorship and committee membership position as held by them in other public limited companies as on 31st March, 2008, are given hereunder:

Sl. no.	Names of the Directors	Category	No. of Board meetings attended	Attendance at the Last AGM	Directorship in other public companies	* No. of Committee position held in other public limited companies.	
						As Chairman	As Member
1.	Mr. D.P. Choudhary	Promoter, Chairman Non-Executive	7	Yes	4	-	-
2.	Mr. S.S. Choudhary	Promoter Executive	7	Yes	2	-	-
3.	Mr. B.L. Choudhary	Promoter Managing Director	7	Yes	4	-	-
4.	Mr. V.K. Choudhary	Promoter Executive	4	Yes	3	-	-
5.	Mr. S.K. Goenka	Independent Non-Executive	5	No	Nil	-	-
6.	Mr. S.K. Saraf	Independent Non-Executive	6	No	Nil	-	-
7.	Mr. S.K. Banerjee	Independent Non-Executive	6	Yes	Nil	-	-
8.	Mr. S.K.S Narayan	Independent Non-Executive	1	No	Nil	-	-
9.	Mr. Ajay Relan	Nominee of Citigroup	NIL	No	10	-	-

(*excluding private companies, foreign companies and companies under Section 25 of the Companies Act, 1956)

Particulars of Directors retiring by rotation and seeking re-appointment along with their particulars are given in the notice convening the forthcoming Annual General Meeting.

4. Code of Conduct

Himadri is committed to conducting its business in accordance with all the applicable laws, rules and regulations and with highest standards of business ethics.

5. Audit Committee

The Audit Committee, inter-alia, provides assurances to the Board on the adequacy or otherwise of internal control system, financial disclosures and ensure due observance of the generally accepted accounting principles as also compliance of accounting standards (AS) prescribed by the Institute of Chartered Accountants of India. The Committee provides guidance to the management in preparation of annual

as well as periodical Financial Statements before they are submitted to the Board. It liaisons with the Company's statutory auditors. The functions of this Committee include re-viewing the adequacy of audit functions, its structures and discussions with auditors on any significant findings and follow-up therewith. In short, the role of the Committee is broadly in conformity with the one laid down in the Listing Agreements with the stock exchanges.

Composition

The Company constituted an Audit Committee in terms of Clause 49 of the Listing Agreement, consisting three Directors as Members and two-third of its Members are Independent.

The Chairman of the Audit Committee is an Independent Non-Executive having financial and accounting experience of more than a decade.

The Audit Committee met four times during the previous year with a maximum time gap of about four months, i.e., on 28.05.2007, 26.07.2007, 24.10.2007 and 16.01.2008. The Committee reviewed the management discussion and analysis of financial condition and results of operation; statement of significant related party transactions (as defined by the Audit Committee) submitted by management. The composition of the Audit Committee and the details of meetings attended by each of the Directors are given below:

Sl. no.	Names of members	Status	No of meetings attended.
1	Mr. Surendra Kumar Goenka	Chairman Non-executive Independent	4
2	Mr. Sushil Kumar Saraf	Member Non-executive Independent	4
3	Mr. Shyam Sundar Choudhary	Member Executive Director	4

Terms of reference

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

Committee is as follows:

a) Review of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct,

sufficient and credible;

b) Recommending the appointment and re-appointment of the statutory auditors and fixation of their remuneration;

c) Reviewing with the management the annual financial statements before submission to the Board, for approval, with particular reference to

* Matters required to be included in the Directors' Responsibility Statement of the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956;

Changes, if any, in the accounting policies and reasons for the same;

* Major accounting entries based on exercise of judgment by management;

Significant adjustments made in the financial statements arising out of audit findings;

Compliance with listing and other requirements relating to financial statements;

Disclosures of related party transactions;

Qualifications in the draft audit report

d) Reviewing with the management, the quarterly financial statements before submission to the Board for approval;

e) Reviewing with the management, performance of the statutory and internal auditors, and adequacy of

the internal control systems.

f) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

g) Discussion with the auditors on any significant findings and follow-up thereof.

h) Reviewing the findings of any internal investigations by the auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting thereof.

i) Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

j) To look into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of any non payment of declared dividends) and creditors.

k) To review the functioning of the Whistle Blower mechanism, in case the same exists.

l) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

6. Remuneration Committee

a. Constitution

The Company constituted, though not mandatory, a Remuneration Committee, comprising Mr. Sushi Kumar Saraf as the Chairman and Mr. D.P. Choudhary and Mr. Surendra Kumar Goenka, as members. The Committee is empowered to fix, review, approve and recommend the remuneration payable to Wholetime Directors and executives. The committee met once on 31st March, 2008 and reviewed the remuneration paid/payable to its Wholetime Directors and executives.

b. Remuneration policy

The remuneration of the Wholetime Directors/Managing Director is decided by the Board based upon the recommendations of the Remuneration Committee, subject to approval of the Company in general meeting, which inter-alia is based on the criteria such as industry benchmarks, Company's performance, and the performance of the individual director concerned. The Company pays remuneration by way of salary, perquisites and allowances to Whole time Directors. Remuneration of the executives and employees largely consists of basic salaries, perquisites and incentives. The component of the

total remuneration varies from grades and is governed by the industry pattern, qualifications, experience and the responsibilities carried by the individual employee concerned. The objectives of the remuneration policy are to motivate the deserving employee in improving his/her performance along with recognising his/her contributions, retain the best

talent in the organisation and record the merits.

c. Remuneration to the Directors

No remuneration is paid to any Non-Executive Directors, except sitting fees. All managerial remuneration for Executive Director/Wholtime Directors were approved by the

shareholders at the Annual General Meeting and paid in accordance with the Section-I, Part-II of Schedule XIII appended to the Companies Act, 1956. A statement on the remuneration paid to the Executive Directors during the year ended 31st March, 2008 is given hereunder:

Sl. No.	Names of the Directors	Designation	Gross salary (Rs.)
1	Mr. S.S. Choudhary	Executive Director	9,60,000/-
2	Mr. B.L. Choudhary	Managing Director	9,60,000/-
3	Mr. V.K. Choudhary	Executive Director	9,60,000/-

7. Share Transfer Committee /Shareholders' Grievance Redressal Committee

The Board formed a Share Transfer and Shareholders' Grievance Committee, consisting Mr. S.S. Choudhary, as the Chairman and Mr. S.K. Goenka and Mr. S.K. Saraf as its members. The Committee approves the transfer of shares, consolidation/sub-division of shares, issue of duplicate shares and other allied matters. Further, it looks into the investors' grievances pertaining to

share transfer, dematerialisation, re-materialisation of shares, issue of duplicate shares, non-receipt of dividend, Balance Sheets and other related matters concerning the shareholders/investors and also give directions from time to time for effective settlement of pending issues.

In accordance with Clause 49 para IV (G) (iii) of the Listing Agreement of the stock exchanges, and in order to expedite the process of share transfer and the redressal of investors' grievances, the Board unanimously delegated its powers with a senior

employee, who periodically visits the office of the Company's Registrar and share transfer agents M/S. S. K. Computers and monitors the activities.

The Committee holds periodical meetings for the immediate redressal of shareholders' grievances of transfer and transmission and co-ordinates with the Company's Registrar and share transfer agents. During the financial year ended 31st March, 2008, the Committee met 23 times. The composition of the Committee and the meetings attended by the members are given hereunder:

Sl. No.	Names of members	Status	No of meetings attended
1	Mr. Shyam Sundar Choudhary	Chairman Executive Director	23
2	Mr. Sushil Kumar Saraf	Member Non-executive Independent	11
3	Mr. Surendra Kumar Goenka	Member Non-Executive Independent	12

The Company confirms that there were no share transfers lying pending as on 31st March, 2008, and all request for de-materialisation and re-materialisation of shares as on that date were confirmed/rejected into the NSDL/CDSL system. The status of the other complaints are given hereunder:

There were three pending complaints at the beginning of the year and during the year under review, total 152 complaints were received from investors, out of which 153

complaints were replied/resolved to the satisfaction of the investors, while the balance two remained pending as on 31st March, 2008.

The minutes of the Share Transfer Committee and Investors' Grievance Committee meetings were reviewed by the Board from time to time.

Name and Designation of Compliance Officer

Mr. B.L. Sharma, the Company Secretary was designated as the Compliance Officer in terms of Clause 47 (a) of the Listing Agreement with

stock exchanges. The shareholders can send their complaints directly to the Company Secretary at the address, Himadri Chemicals & Industries Limited, 23A Netaji Subhas Road (8th floor) Kolkata 700 001 or can mail at: investors@himadri.com. They can also call at 91- 033- 2230 9953/ 4363.

8. General Body Meetings

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

Year	Type	Date	Venue	Time
2005	AGM	14.09.05	Sarat Sadan, Manton Super Market, Diamond Harbour Road, Kolkata 700 034	10.00 a.m.
2006	AGM	18.09.06	"Kala Kunj" Kala Mandir, 48 Shakespeare Sarani, Kolkata 700 017	10.00 a.m.
2007	AGM	26.09.07	"Kala Kunj" Kala Mandir, 48 Shakespeare Sarani, Kolkata 700 017	3.30 p.m.

b) Extraordinary General Meeting

During the financial year 2007-08, an Extraordinary General Meeting was held at "Kala-Kunj" Kala Mandir, 48 Shakespeare Sarani, Kolkata 700 017 on Saturday on 8th December, 2007 at 3.00 p.m.

c) Postal Ballot

During the year under review, the Company obtained the approval of its members, through postal ballot for increase in its authorised capital by way of ordinary resolution. The Clause V of the Memorandum of Association was altered accordingly. The salient features of the postal ballot are given hereunder:

The Board of Directors of the Company at its meeting held on

Wednesday, 16th January, 2008, appointed Mr. S.K. Ghosh, the Company Secretary-in-practice, at AB-198 Salt lake City, Kolkata 700 064 as the scrutiniser for conducting the postal ballot voting process in a fair and transparent manner.

The notice along with the postal ballot form and pre-paid self-addressed envelope was dispatched to the members, whose names appeared on the Register of Members on 28th January, 2008 and such dispatch was made under certificate of posting on 29th January, 2008.

The dispatch notice of the postal ballot was published on 30th January, 2008, in The Financial Express (English) and Arthik Lipi (Bengali) informing the completion of the postal

ballot and other matters to the members of the Company.

The last date of receipt of the postal ballot form was 27th February, 2008.

The postal ballot forms received were kept in boxes sealed by the scrutiniser.

The scrutiniser after verification of the postal ballot submitted his report to the Company's Chairman on 29th February, 2008 and the results of its process was declared by the Chairman on 3rd March, 2008 and the same was also intimated to the stock exchanges concerned.

A summary of the postal ballots form received is given hereunder:

Sl. no	Particulars	No. of postal forms received	No. of shares	% to the paid-up capital
a.	Total postal ballot received	371	16632169	52.781%
b.	Less: invalid ballot received	3	350	0.001%
c.	Net valid postal ballot received	368	16631819	52.780%
d.	Postal ballot forms with assent for resolution	364	16631269	99.996%
e.	Postal ballot forms with dissent / against the resolution	4	550	0.004%

Note: 1. The above mentioned ordinary resolution through postal ballot was carried with requisite majority.

9. Disclosures

a. Related party transactions

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

Among the related party transactions are the contracts or arrangements, made by the Company from time to time, with companies in which directors are interested. Audit Committee reviews periodically the significant related party transactions. All these contracts or arrangements are entered in the Register of the Contracts maintained under Section 301 of the Companies Act, 1956, and the Register was placed before the relevant Board meetings.

All transactions covered under the related party transactions are regularly ratified and/or approved by the Board. There were no material transactions during the financial year 2007-08, that are prejudicial to the interest of the Company.

The Board obtained certificates/disclosures from key management personnel, confirming that they do not have any material, financial and commercial interest in transactions with the Company that may have a

potential conflict with the interest of the Company at large.

There are no materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc, that may have potential conflict with the interest of the Company at a large. Related Party transactions are included in the Notes to the annual accounts of the Company for the year ended 31st March, 2008.

b. Secretarial Audit

A qualified practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

c. Statutory compliances, penalties and strictures

The Company complied with the requirements of the stock exchanges/SEBI and statutory authorities on all matters related to capital markets. There were no instances of non-compliance on any

matter relating to the capital market during the last three years. There were no penalties or strictures imposed on the Company by the stock exchanges, SEBI or any statutory authority in any matter related to capital markets.

10. Means of communication

The Board of Directors of the Company publish the unaudited financial results at quarterly intervals within a period of one month of the closure of the quarter for which the accounts are related and takes on record the financial results in the prescribed format. The quarterly, half-yearly and annual financial results are also published as per the Listing Agreements, in leading newspapers. The Company regularly intimates unaudited as well as audited financial results to the stock exchanges immediately after conclusion of the Board meeting and taken on record.

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

11. General shareholder information

11.01 The Annual General Meeting is proposed to be held at "Kala Mandir, 48 Shakespeare Sarani, Kolkata-700 017 on Friday, the 26th September 2008 at 2.00 p.m.

11.02 The Company furnished information as required by Clause 49(VI) of the Listing Agreements, of the stock exchanges, relating to the Directors retiring by rotation and seeking re-appointment. Shareholders may kindly refer to the

explanatory statement, convening the Company's 20th Annual General Meeting. The names of the companies in which the persons also hold directorship and membership of committees of the Board are given separately.

11.03 Date of book closures

The share transfer and register of members of the Company will remain closed from 20th September 2008 to 27th September 2008 (both days inclusive)

11.04 Financial calendar for 2007-08

Board meeting for consideration of audited accounts and recommendation of dividend	16-06-2008
Date, time and venue of AGM	On 26th September 2008, at 2.00 pm 48, Shakespeare Sarani, Kolkata- 700 017
Posting of Annual Report	30 days before the meeting
Book closure	From 20th September 2008 to 27th September 2008 (both days inclusive)
Last date for receipt of proxy forms	48 hrs before the meeting
Tentative date of dividend warrants	Within 30 days from the date of AGM

11.05 Listing of shares on stock exchanges

The Company's shares are presently listed on the following stock exchanges

Sl. no.	Stock exchange	Listing code
1.	The Calcutta Stock Exchanges Association Limited 7 Lyons Range, Kolkata 700 001	18036
2.	The Bombay Stock Exchange Limited P. J. Towers, Dalal Street, Forte Mumbai 400 001	500184
3.	The National Stock Exchange of India Limited "Exchange Plaza" Bandra-Kurla Complex, Bandra (E), Mumbai 400 051	HCIL

The Company remitted the listing fees up to date to all stock exchanges as mentioned herein above.

11.06 Market price data

a.) Monthly high/low market price of the shares during the year 2007-08 at the Bombay Stock Exchange Limited and at National Stock Exchange of India Limited were as under:-

Months	Market price (BSE)		Market price (NSE)	
	High	Low	High	Low
April 2007	304.95	223.85	311.70	225.90
May 2007	406.00	260.25	405.00	260.00
June 2007	420.15	343.10	420.00	344.10
July 2007	389.90	335.50	399.90	290.00
August 2007	380.00	295.00	370.00	290.15
September 2007	381.00	334.00	381.95	336.00
October 2007	434.90	315.05	434.90	306.00
November 2007	712.75	414.85	710.00	415.00
December 2007	716.30	606.50	719.25	608.00
January 2008	800.00	486.20	791.90	482.50
February 2008	669.00	475.05	673.95	475.00
March 2008	624.00	378.00	622.00	375.00

11.07 Registrar and Share transfer agents

The Company engaged the services of S.K. Computers of 34/1A, Sudhir Chatterjee Street, Kolkata 700 006, a SEBI registered registrar as its share transfer agent for processing the transfer, sub-divisions, consolidation, splitting of securities etc. Since its shares are now compulsorily traded in dematerialised form, the requests for demat and remat are required to be sent directly to the registrar.

The Company has already made necessary arrangements with Depositories NSDL/CDSL for dematerialisation of shares. M/S S.K. Computers was appointed as a

common agency to act as transfer agents for both physical and demat shares.

11.08 Share transfer system

The Company ensures that all transfers are duly affected within the period of one month from the date of their lodgment. The Board constituted a Share Transfer Committee for approval of the transfers, which meets on regular intervals. Share transfer, dividend payments and all other investors' related activities are attended to and processed at the office of the registrar and transfer Agent, M/S S.K. Computers- Kolkata.

Pursuant to Clause 47 (c) of the Listing Agreement with the stock exchanges, certificate on half-yearly basis is filed with the stock exchanges for due compliance of share transfer formalities by the Company.

In terms of guidelines issued by SEBI, the secretarial audit report for all the quarters were filed with the stock exchanges, which inter-alia gives details about the reconciliation of share capital (both physical and demat).

11.09 Nomination facilities

The Companies (Amendment) Act, 1999, introduced through the new Section 109A, the facility of

nomination to shares and debentures. This facility is mainly useful in case of those holders who hold their shares in single name. Investors are advised to avail of this facility, especially those holding shares in single name to avoid

any complication in the process of transmission, in case of death of the holders.

In case the shares are held in physical mode, the nomination form may be

obtained from the registrar and share transfer agents. In case of shares held in demat form, such nomination is to be conveyed to the D/P as per the formats prescribed by them.

11.10 Distribution of shareholding as on 31st March, 2008

Category No. of shares	No. of shareholders	% of total no. of shareholders	No. of shares held	% of the total no. of shares
Up to 500	14762	94.75	1961994	6.23
501 – 1000	406	2.61	321031	1.02
1001 – 2000	187	1.20	277201	0.88
2001 – 3000	58	0.37	145516	0.46
3001 – 4000	25	0.16	91906	0.29
4001 – 5000	27	0.17	124653	0.40
5001 – 10000	37	0.24	264876	0.84
10001 – 50000	37	0.24	799257	2.54
50001 – 100000	10	0.06	776696	2.46
100000 and above	31	0.20	26748127	84.88
Total	15580	100	31511257	100

11.11 Shareholding pattern as on 31st March, 2008

Category	No. of shareholders	No. of shares	% of holding
(A) Promoter group			
Directors & Relatives	8	10072860	31.97
Bodies Corporate	7	6367817	20.21
Sub-total (A)	15	16440677	52.18
(B) Non-promoters			
Mutual Funds	3	388902	1.23
FI/ Banks	5	2000	0.01
FI	2	117121	0.37
Bodies Corporate	386	10142605	32.18
Individuals	15169	4419952	14.03
Sub total (B)	15565	15070580	47.82
Gross total (A+B)	15580	31511257	100

11.12 Dematerialisation of shares

The Company's shares are under the compulsory DEMAT list of SEBI and it joined as a member of the depository services with National Security Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as an issuer company for dematerialisation of its shares. Shareholders can get their shares dematerialised with either NSDL or CDSL. The depositories allotted the following ISIN number to the Company.

NSDL - INE 019C01018

CDSL - INE 019C01018

As on 31st March, 2008, out of the 31511257 equity shares of the Company 30212001 shares are held in electronic form, representing 95.88% to the total paid-up capital, whereas balance of 1299256 shares

are held in physical form, representing 4.12% to the total paid-up share capital of the Company.

11.13 Plant locations

Sl. no Location of plant

- 1 Unit No. 1 at Liluah (Howrah)
58 N.S. Road, Liluah,
Howrah 711 204 (W. B.)
- 2 Unit No. 2 at Liluah (Howrah)
27-B Gadadhar Bhatt Road,
Liluah, Howrah 711 204 (W.B.)
- 3 Mahistikry, Ps. Haripal,
Dist: Hooghly (WB)
- 4 Ancillary Industrial Estate,
Vill: Pedagantyada,
Visakhapatnam, (A. P)
- 5 Korba, Chhattishgarh

11.14 Address for correspondence

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

following address:

Himadri Chemicals & Industries Limited, 23A Netaji Subhas Road, 8th floor, Kolkata- 700 001.

Phone number: 033) 2220 9953/ 2230 4363, Fax number: 91-33-2230-9051, e-mail: investors@himadri.com.

All shares related queries may be sent to the Company's registrar and share transfer agents, M/S S. K. Computers, 34/1A Sudhir Chatterjee Street, Kolkata 700 006.

For and on behalf of the Board

D.P. Choudhary

Chairman

Date : 16th June, 2008

Place: Kolkata

Annexure to the Report on Corporate Governance

Auditor's certificate on Corporate Governance

To
The members of
Himadri Chemicals & Industries Ltd.

We have examined the compliance of conditions of Corporate Governance by Himadri Chemicals & Industries Limited for the year ended 31st March, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

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

For S. JAYKISHAN
Chartered Accountants

B.K. Newatia
Partner

Place: Kolkata
Date: 16th June, 2008

M. No. 050251

DECLARATION

To
The Members of
Himadri Chemicals & Industries Ltd.

Sub: Declaration under clause 49 of the Listing Agreement

I hereby declare that all Directors and the designated personnel in the Senior Management of the Company have affirmed compliance with the Codes of Conduct as applicable to them for the financial year ended March, 31, 2008.

For Himadri Chemicals & Industries Limited

Place: Kolkata
Date: 16th June, 2008

B.L. Choudhary
Managing Director

Financia Section



Auditors' Report

To the Members of

HIMADRI CHEMICALS & INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of **HIMADRI CHEMICALS & INDUSTRIES LIMITED** as at 31st March, 2008 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account, as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the accounting policies and notes thereon and attached thereto, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008,
 - ii. in case of the Profit & Loss Account, of the profit of the Company for the year ended on that date, and
 - iii. in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For S. Jaykishan
Chartered Accountants

B. K. Newatia
Partner

Place : Kolkata

Dated : 16th day of June, 2008 Membership No. 050251



Annexure to the Auditors' Report

(REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE)

- i) a) The Company is in the process of compiling fixed assets records to show full particulars, including quantitative details and situation of fixed assets.
- b) We are informed that the management at reasonable intervals, in a phased programme, has physically verified fixed assets of significant value and no material discrepancies were noticed in respect of the assets verified.
- c) The Company has not made any disposal of fixed assets during the year.
- ii) a) As explained to us, inventories have been physically verified by the management during the year at reasonable intervals.
- b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) On the basis of our examination of the inventory records of the Company, we are of the opinion that the Company is maintaining proper records of its inventory and no material discrepancies were noticed on physical verification of inventories, as compared to book records.
- iii) a) The Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the clauses (iii) (b) to (iii) (d) of the Order are not applicable.
- b) The Company has not taken any loan during the year from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year and the year-end balance in respect of such loan taken from a company in earlier year was Rs.1,350 lacs & Rs.1,200 lacs. The Company has also issued Deep Discount Debentures of Face value of Rs.123 crores in the earlier year to a company covered in the register maintained under Section 301 of the Act, and the balance as on 31st March, 2008 net of discount, to be written off over the period of Debentures was Rs.2,606.42 lacs.
- c) In our opinion, the rate of interest and other terms and conditions of the aforesaid loans taken by the Company are prima facie not prejudicial to the interest of the Company.
- d) In respect of the aforesaid loan, the Company was regular in repaying the principal amount and was also regular in payment of interest as stipulated.
- iv) In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v) a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of the contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956, have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register maintained under Section 301 of the Companies Act, 1956 exceeding the value of five lacs rupees in respect of any party during the year have been made at prices which are reasonable having regard to comparable prices at that time.
- vi) The Company has not accepted any deposit during the year from the public within the meaning of the provisions of Sections 58A and 58AA of the Companies Act, 1956, and the rules framed there under.



- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) The maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, has not been prescribed by the Central Government in respect of the products of the Company.
- ix) a) According to the records of the Company examined by us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, there is no undisputed outstanding statutory dues as at the end of the year for a period exceeding six months from the date they became payable.
- b) On the basis of our examination of records and according to explanations given to us, there are no dues of Sales tax, Income tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess, which have not been deposited on account of any dispute.
- (x) The Company has neither accumulated losses at the end of the financial year nor has it incurred cash losses in the financial year under report or in the immediately preceding financial year.
- xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- xii) As explained to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
- xiv) In respect of shares, securities, debentures and mutual fund units dealt or traded by the Company and held as investments, proper records have been maintained of the transactions and contracts and timely entries have been made therein. All the investments are held by the Company in its own name.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) On the basis of the records examined by us, in our opinion, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- xvii) Based on the information and explanations given to us and on an overall examination of the financial statements of the Company, prima facie, short-term funds have not been used for long-term purposes.
- xviii) The company has made preferential allotment of equity shares and warrants convertible into equity shares as referred to in Note no. B – 6 in Schedule– 20, to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956, at the price which is not prejudicial to the interest of the Company.
- xix) The Company has not issued any secured debentures and accordingly the question of creation of security or charge there against does not arise.
- xx) The Company has not raised any money by way of public issue during the year.
- xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For S. Jaykishan
Chartered Accountants

B. K. Newatia
Partner

Place : Kolkata
Dated : 16th day of June, 2008 Membership No. 050251

Balance Sheet As at 31st March, 2008

(Rs. in Lacs)

	Schedule	As at 31.03.2008	As at 31.03.2007
1. Shareholders' Funds			
a) Share Capital	1	3,151.13	3,151.13
b) Deposit against Share Warrants		2,666.66	78.20
c) Reserves & Surplus	2	28,282.35	20,729.78
2. Loan Funds			
a) Secured Loans	3	18,442.92	15,433.70
b) Unsecured Loans	4	2,876.42	2,609.23
3. Deferred Tax Liability (Net)			
		1,628.95	1,163.82
Total		57,048.43	43,165.86
1. Fixed Assets			
	5		
a) Gross Block		29,897.21	21,857.72
b) Less : Depreciation		4,609.21	3,294.26
c) Net Block		25,288.00	18,563.46
d) Capital Work in Progress		4,963.09	930.57
2. Investments			
	6	205.96	279.46
3. Current Assets, Loans & Advances			
a) Inventories	7	12,825.01	8,256.87
b) Sundry Debtors	8	6,829.92	4,267.11
c) Cash & Bank Balances	9	1,564.96	9,559.15
d) Loans & Advances	10	9,550.47	5,812.23
		30,770.36	27,895.36
Less : Current Liabilities & Provisions			
a) Current Liabilities	11	1,785.64	1,298.58
b) Provisions	12	2,579.90	3,431.71
Net Current Assets		26,404.82	23,165.07
4. Miscellaneous Expenditure			
	13	186.56	227.30
Total		57,048.43	43,165.86
Significant Accounting Policies & Notes on Accounts	20		

Schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date

For S. Jaykishan

Chartered Accountants

B. K. Newatia

Partner

Membership No.: 050251

B. L. Sharma

Company Secretary

S. S. Choudhary

Director

B. L. Choudhary

Managing Director

Place: Kolkata

Dated : 16th June, 2008



Profit and Loss Account For the year ended 31st March, 2008

(Rs. in Lacs)

	Schedule	Year ended	Year ended
		31.03.2008	31.03.2007
Sales	14	43,001.33	39,069.98
Less : Taxes & Duties		6,675.64	6,471.66
Net Sales		36,325.69	32,598.32
Other Income	15	545.50	322.80
Increase/(Decrease) in Stocks	16	2,035.16	1,870.93
Total		38,906.35	34,792.05
Raw Materials Consumed	17	22,050.84	21,024.17
Manufacturing & Other Expenses	18	3,829.06	3,404.81
Interest & Other Financial Charges	19	1,114.36	1,148.18
Depreciation		1,314.95	1,060.89
Total		28,309.21	26,638.05
Profit before Tax		10,597.14	8,154.00
Provision for Taxation :			
Current Tax (including FBT)		1,839.00	1,588.38
Deferred Tax		465.13	408.63
Profit after Tax		8,293.01	6,156.99
Surplus from earlier year		4,185.56	2,873.83
Income tax for earlier years		(0.54)	(1.93)
Amount available for appropriation		12,478.03	9,028.89
Transfer to General Reserve		3,000.00	3,000.00
Proposed Dividend		630.23	1,575.56
Corporate Dividend Tax		107.11	267.77
Balance carried to Balance Sheet		8,740.69	4,185.56
Earnings Per Share (Rs.) : (Face Value Rs.10 each)			
Basic		26.32	22.39
Diluted		25.42	22.30
Significant Accounting Policies & Notes on Accounts	20		

Schedules referred to above form an integral part of the Profit and Loss Account.

As per our report of even date

For S. Jaykishan

Chartered Accountants

B. K. Newatia

Partner

Membership No.: 050251

Place: Kolkata

Dated : 16th June, 2008

B. L. Sharma

Company Secretary

S. S. Choudhary

Director

B. L. Choudhary

Managing Director

Cash Flow Statement

For the year ended 31st March, 2008

(Rs. in Lacs.)

	Year ended 31.03.2008		Year ended 31.03.2007	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax & Extra-Ordinary Items		10,597.14		8,154.00
Adjustments for :				
Depreciation	1,314.95		1,060.89	
Miscellaneous Expenditure Written Off	60.85		56.82	
Interest Paid	759.33		818.87	
Interest Received	(239.66)		(64.56)	
Dividend Received	(2.17)		(102.07)	
Proportionate Discount on Debentures W/Off	283.07		252.32	
Provision for Gratuity	1.00		-	
		2,177.37		2,022.27
Operating Profit before Working Capital Changes		12,774.51		10,176.27
Adjustments for :				
(Increase)/Decrease in Trade & Other Receivables	(5,872.95)		(4,132.06)	
(Increase)/Decrease in Inventories	(4,568.14)		(3,542.01)	
Increase/(Decrease) in Trade & Other Payables	487.06		(2,560.09)	
		(9,954.03)		(10,234.16)
Cash generated from operations		2,820.48		(57.89)
Direct Tax Paid		(2,016.48)		(1,176.81)
Prior Year Adjustments		(0.54)		(1.93)
Net Cash from Operating Activities		803.46		(1,236.63)
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets (including Capital Work-in-Progress)	(12,072.01)		(7,116.62)	
Interest Income	239.66		64.56	
Dividend Income	2.17		102.07	
Sale of investments	73.50		-	
Purchase of Investments	-		(4.57)	
Net Cash used in Investing Activities		(11,756.68)		(6,954.56)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Issue of Share Capital (including Share Premium)	-		13,755.00	
Deposit against Share Warrants	2,588.46		78.20	
Increase/(Decrease) in Long Term Borrowings	(675.51)		720.79	
Increase/(Decrease) in Short Term Borrowings	-		(1,425.74)	
Increase/(Decrease) in Working Capital Borrowings	3,684.73		5,406.39	
Deferred Sales Tax	(15.88)		(6.69)	
Share Issue Expenses	(20.11)		(284.12)	
Interest Paid	(759.33)		(818.87)	
Dividend Paid	(1,575.56)		(255.11)	
Dividend Tax Paid	(267.77)		(35.78)	
Net Cash from Financing Activities		2,959.03		17,134.07
Net Increase/(Decrease) in Cash/Cash Equivalents		(7,994.19)		8,942.88
Cash & Cash Equivalents at the beginning of the year (Refer Schedule 9 to the Accounts)		9,559.15		616.27
Cash & Cash Equivalents at the end of the year (Refer Schedule 9 to the Accounts)		1,564.96		9,559.15

Note: The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard- 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

As per our report of even date
For S. Jaykishan
Chartered Accountants

B. K. Newatia
Partner
Membership No.: 050251

B. L. Sharma
Company Secretary

S. S. Choudhary
Director

B. L. Choudhary
Managing Director

Place: Kolkata
Dated : 16th June, 2008



Schedules forming part of the accounts

(Rs. in Lacs)

	As at 31.03.2008	As at 31.03.2007
1		
Authorised		
4,00,00,000 Equity Shares of Rs.10/- each (Previous year 3,30,00,000 Equity Shares)	4,000.00	3,300.00
Issued, subscribed and paid-up		
3,15,11,257 Equity Shares of Rs.10/- each fully paid up (Previous year 3,15,11,257 Equity Shares)		
(Out of which, 1,55,42,857 Equity Shares issued for consideration otherwise than in cash)	3,151.13	3,151.13
	3,151.13	3,151.13
2 RESERVES AND SURPLUS		
Capital Reserve		
Sales Tax Capital Subsidy	14.86	14.86
Capital Investment Subsidy	43.84	43.84
Amalgamation Reserve	61.30	61.30
General Reserve		
As per Last Account	3,020.00	20.00
Less : Provision for Gratuity as on 01.04.2007 (2.56)	(2.56)	-
Add : Transferred from Profit & Loss Account	3,000.00	3,000.00
	6,017.44	3,020.00
Securities Premium		
As per Last Account	13,404.22	249.22
Add : Received during the year	-	13,155.00
	13,404.22	13,404.22
Surplus		
Balance as per Profit and Loss Account annexed	8,740.69	4,185.56
	28,282.35	20,729.78
3 SECURED LOANS		
Term Loan from State Bank of India	3,749.69	4,250.00
Term Loan from Non Banking Finance Company	1,200.00	1,350.00
Working Capital Loans from Banks	9,923.08	6,144.56
Buyer's Credit from Banks	3,560.59	3,654.38
Loan against Equipments & Vehicles (secured by charge on specific assets)	9.56	34.76
	18,442.92	15,433.70
4 UNSECURED LOANS		
LONG TERM		
Deep Discount Debentures		
Issued during financial year 2001-02 aggregating Rs.123 Crores at discounted price of Rs.12.30 Crores redeemable at par at the end of 20 years from the date of allotment i.e. 24 September 2001	12,300.00	12,300.00
Less : Discount on issue of debentures to the extent not written off or adjusted	9,693.58	9,976.65
	2,606.42	2,323.35
Sales Tax Deferment	270.00	285.88
	2,876.42	2,609.23

Schedules forming part of the accounts

(Rs. in Lacs)

Description of Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As on 01.04.2007	Addition during the year	Deletion during the year	Total Upto 31.03.2008	As on 01.04.2007	Provided during the year	Adjusted during the year	Total Upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
Land	1,156.65	52.27	-	1,208.92	-	-	-	-	1,208.92	1,156.65
Factory Shed & Building	2,378.35	319.91	-	2,698.26	312.11	89.98	-	402.09	2,296.17	2,066.24
Plant & Machinery	16,929.13	7,374.68	-	24,303.81	2,501.52	1,102.87	-	3,604.39	20,699.42	14,427.61
Laboratory Equipment	178.41	26.25	-	204.66	62.44	7.81	-	70.25	134.41	115.97
Office Equipment	61.25	11.63	-	72.88	26.76	4.24	-	31.00	41.88	34.49
Furniture & Fixture	157.02	13.00	-	170.02	51.35	14.10	-	65.45	104.57	105.67
Fire Extinguisher	20.87	4.07	-	24.94	3.44	1.12	-	4.56	20.38	17.43
Vehicles	217.57	55.87	-	273.44	94.86	25.78	-	120.64	152.80	122.71
Tubewell	8.87	1.75	-	10.62	0.95	0.42	-	1.37	9.25	7.92
Electrical Installation	411.89	158.39	-	570.28	33.36	24.45	-	57.81	512.47	378.53
Cycle	0.56	0.04	-	0.60	0.22	0.04	-	0.26	0.34	0.34
Computers	192.07	21.63	-	213.70	106.97	26.22	-	133.19	80.51	85.10
Tankers	145.08	-	-	145.08	100.28	17.92	-	118.20	26.88	44.80
Total	21,857.72	8,039.49	-	29,897.21	3,294.26	1,314.95	-	4,609.21	25,288.00	18,563.46
Previous Year Total	15,209.45	6,648.27	-	21,857.72	2,233.37	1,060.89	-	3,294.26	18,563.46	

Note:

Original Cost as at 31st March, 2008 of Vehicles includes Rs.89.26 lacs (Previous Year- Rs.58.62 lacs) acquired under Auto Finance Scheme from Banks, of which Rs. 62.71 lacs (Previous Year- Rs.39.65 lacs) was outstanding as at 31st March, 2008.

	Face Value (Rs.)	As at 31.03.2008		As at 31.03.2007	
		No. of Shares	Amount	No. of Shares	Amount
6 VESTMENTS (Other than Trade)					
Quoted					
Equity Shares of Other Companies					
ACC Ltd.	10	1,275	1.95	1,275	1.95
Himadri Credit & Finance Ltd.	10	3,34,900	33.49	3,34,900	33.49
Transchem Ltd.	10	8,000	2.40	8,000	2.40
NDTV Ltd.	4	1,400	0.98	1,400	0.98
			38.82		38.82
Unquoted					
Kishan Vikas Patra (lodged as security with Sales Tax Authority)	7,500		0.07		0.07
Equity Shares of Other Companies					
Himadri Dyes & Intermediates Ltd.	10	7,20,000	72.00	7,20,000	72.00
Himadri Coke & Petro Ltd.	10	60,000	6.00	60,000	6.00
Himadri Industries Ltd.	10	4,93,300	84.50	4,93,300	84.50
Sri Agro Himghar Ltd.	100	-	-	73,500	73.50
Himadri e-Carbon Ltd.	10	40,000	4.00	40,000	4.00
In wholly owned Subsidiary Co.					
Himadri Global Investment Ltd., Hongkong	1 HK\$	10,000	0.57	10,000	0.57
			167.14		240.64
Total			205.96		279.46
Aggregate Market Value of Quoted Investments			49.76		48.98



Schedules forming part of the accounts

(Rs. in Lacs)

	As at 31.03.2008	As at 31.03.2007
7		
Finished Goods	6,223.18	4,188.02
Raw Materials	6,283.80	3,786.47
Materials in Transit	185.74	18.63
Packing Materials	118.61	70.30
Furnace Oil	13.68	193.45
	<u>12,825.01</u>	<u>8,256.87</u>

8 SUNDRY DEBTORS (Unsecured, Considered Good)

Over six months	237.05	161.15
Others	6,592.87	4,105.96
	<u>6,829.92</u>	<u>4,267.11</u>

9 CASH AND BANK BALANCES

Cash in Hand (As certified by Management)	83.22	61.27
Balance with Scheduled Banks in Current Accounts	70.87	156.98
Cheques in Hand	444.78	357.15
Fixed Deposits with Scheduled Banks (including interest accrued thereon)	966.09	8,983.75
	<u>1,564.96</u>	<u>9,559.15</u>

10

Advances recoverable in cash or in kind or for value to be received		
To Suppliers	3,108.33	2,877.35
To Subsidiary	1.23	-
To Others	1,739.47	341.30
Balance with Central Excise & Cenvat Receivable	2,559.34	1,147.57
Sales Tax Deposit & VAT Receivable	146.28	104.40
Income Tax Payments	1,565.17	1,142.21
Income Tax Refundable	15.44	10.30
Earnest Money & Security Deposits	415.21	189.10
	<u>9,550.47</u>	<u>5,812.23</u>

11 CURRENT LIABILITIES

Sundry Creditors		
Micro, Small & Medium Enterprises	-	-
Others	845.60	577.20
Other Liabilities	940.04	721.38
	<u>1,785.64</u>	<u>1,298.58</u>

12 PROVISIONS

Provision for Taxation	1,839.00	1,588.38
Provision for Gratuity	3.56	-
Proposed Dividend	630.23	1,575.56
Corporate Dividend Tax	107.11	267.77
	<u>2,579.90</u>	<u>3,431.71</u>

Schedules forming part of the accounts

(Rs. in Lacs)

	Year ended 31.03.2008	Year ended 31.03.2007
13		
Share Issue Expenses	247.41	284.12
Less: Amount Written Off	60.85	56.82
	<u>186.56</u>	<u>227.30</u>

14 LES		
Sales		
Local	47,065.54	41,421.22
Export	4,568.25	810.15
	<u>51,633.79</u>	<u>42,231.37</u>
Less : Inter Unit Transfer	8,632.46	3,161.39
	<u>43,001.33</u>	<u>39,069.98</u>

15 OTHER INCOME		
Interest on FDR (TDS- Rs.51,67,295/-; Previous year Rs.11,79,132/-)	239.66	64.56
Dividend Received	2.17	102.07
Warranty & other Claims	203.57	-
Profit on sale of shares	99.22	-
Foreign Exchange Fluctuation Gain (net)	0.39	68.82
Miscellaneous Receipts	0.49	-
Sales Tax Remission	-	87.35
	<u>545.50</u>	<u>322.80</u>

16 STOCKS		
Closing Stock of Finished Goods	6,223.18	4,188.02
Less : Opening Stock of Finished Goods	4,188.02	2,317.09
Increase/(Decrease) in Stocks	<u>2,035.16</u>	<u>1,870.93</u>

17 RAW MATERIALS CONSUMED		
Opening Stock	3,786.47	2,098.17
Add: Purchases	32,459.39	25,601.02
	<u>36,245.86</u>	<u>27,699.19</u>
Less: Inter unit Stock transfer	7,911.22	2,888.55
Less: Closing Stock	6,283.80	3,786.47
	<u>22,050.84</u>	<u>21,024.17</u>



Schedules forming part of the accounts

(Rs. in Lacs)

	Year ended 31.03.2008	Year ended 31.03.2007
18		
Consumable Stores & Spares	81.22	31.50
Power & Fuel	1,055.95	1,050.69
Employees' Emoluments		
a) Salaries, Wages & Allowances	312.06	232.46
b) Contribution to Provident & Other Funds	16.07	11.85
c) Gratuity	8.62	5.16
d) Welfare & Other Amenities	28.29	29.73
Excise Duty on Variation in Stocks	191.75	267.44
Rent	15.59	15.31
Rates & Taxes	13.17	28.09
Repairs To:		
Factory Shed & Building	57.64	22.99
Plant & Machinery	176.49	118.94
Others	27.65	9.49
Insurance	111.51	97.02
Rebates & Discount	71.02	133.83
Miscellaneous Expenses	645.69	523.80
Share Transfer Expenses	1.82	1.86
Auditors' Remuneration	6.90	6.34
Packing Expenses	120.64	109.68
Freight & Forwarding Expenses	826.00	648.83
Loss on redemption of Mutual Fund (Short term)	0.13	2.98
Share Issue Expenses W/Off	60.85	56.82
	3,829.06	3,404.81

19 OTHER FINANCIAL CHARGES

Interest :		
On Term Loans	350.60	307.36
Others	408.73	511.51
Discount on Debentures W/Off	283.07	252.32
Bank Charges	71.96	76.99
	1,114.36	1,148.18



Schedules forming part of the accounts

20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A) SIGNIFICANT

1. Basis of preparation of financial statements:

- a) The financial statements are prepared in accordance with Generally Accepted Accounting Principles (Indian GAAP) under the historical cost convention on accrual basis and on principles of going concern. The accounting policies are consistently applied by the Company.
- b) The financial statements are prepared to comply in all material respects with the accounting standards notified by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.
- c) The preparation of the financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

2. Revenue Recognition:

- a) Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.
- b) Sales are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are inclusive of excise duty, sales tax / VAT and delivery charges, if any. However, duties and taxes relating to sales are reduced from gross turnover for disclosing net turnover.
- c) Rebates / Discounts on Sales are accounted for in the year of settlement.
- d) Purchases are net of CENVAT / VAT Credit, Discounts and Claims.
- e) Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

3. Fixed Assets:

- a) Fixed Assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price (net of CENVAT / duty credits availed or available thereon) and any attributable cost of bringing the asset to its working condition for its intended use.
- b) Depreciation on fixed assets situated at Liluah Unit – II, Howrah, Mahistikry, Hooghly (W.B.) and at Korba, Chattisgarh is provided on straight line method and on other fixed assets is provided on written down value method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.
- c) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use, which is determined by the present value of the estimated future cash flows.
- d) Cost of the fixed assets that are not yet ready for their intended use at the balance sheet date together with all related expenses and advances paid to acquire fixed assets are shown under capital work in progress.

4. Investments:

Investments classified as long-term investments are stated at cost. Provision is made to recognise any diminution other than temporary in the value of such investments. Current investments are carried at lower of cost and fair value.

5. Inventories:

Inventories are valued at lower of cost and net realisable value. Cost of inventories comprises material cost on FIFO basis, labour and manufacturing overheads incurred in bringing the inventories to their present location and condition. Cost of finished goods includes excise duty.



Schedules forming part of the accounts

20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

6. Foreign Currency Transactions:

- a) Initial Recognition – Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- b) Conversion – Foreign currency monetary items are reported using the closing rate. Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate on the date of transaction.
- c) Exchange differences - Exchange differences arising on the settlement or conversion of monetary current assets and liabilities are recognised as income or as expense in the year in which they arise.
- d) Forward Exchange Contracts – The company enters into Forward Exchange Contracts which are not intended for trading or speculation purposes. The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of foreign exchange contract is recognised as income or expense for the year.

7. Financial Derivatives and Commodity Hedging Transactions

During the year ended 31st March, 2008, The Institute of Chartered Accountants of India has issued an announcement on 'Accounting of Derivatives' inter alia requiring provision for losses on all derivatives contracts outstanding at the balance sheet date by marking them to market keeping in view the principle of prudence, other than for forward contracts to which Accounting Standard (AS) 11 – 'The Effect of Change in Foreign Exchange Rates' is applicable. However, as there are no outstanding forward contracts as at the balance sheet date, no provision is required to be made by the Company.

8. Subsidy:

Interest subsidy under the West Bengal Incentive Scheme, 2000 of the Director of Industries, Government of West Bengal, is accounted for on accrual basis when it is reasonably certain that ultimate collection will be made.

9. Employees' Retirement Benefits:

a) Defined Contribution Plan:

Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

b) Defined Benefit Plan:

Gratuity

Liability with regard to gratuity is provided for on the basis of an actuarial valuation at the Balance Sheet date. Actuarial gain / loss is recognised immediately in the statement of profit and loss. The Company has an Employees Gratuity Fund managed by the Life Insurance Corporation of India (LIC).

Compensated Absences

The Company provides for the encashment of absence or absence with pay based on the policy of the Company in this regard. Short-term compensated absences are provided for based on estimates. Long-term compensated absences are provided for based on actuarial valuation.

10. Borrowing Costs

- a) Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised for the period until the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use.
- b) Other Borrowing costs are recognised as expense in the period in which they are incurred.

11. Discount on Issue of Debentures

Discount on issue of Deep Discount Debentures is amortised during the tenure of the debentures i.e. 20 years from the date of allotment.

Schedules forming part of the accounts

20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

12. Research & Development Expenses:

Revenue expenditure on research and development is recognised as an expense as and when incurred. Capital expenditure incurred on equipment and facilities that are acquired for research and development activities is capitalised and is depreciated according to the policy followed by the Company.

13. Taxes on Income:

Tax expense comprises of current tax, deferred tax and fringe benefit tax.

- a) Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities, computed in accordance with the applicable tax rates and tax laws.
- b) Deferred Tax arising on account of "timing differences" and which are capable of reversal in one or more subsequent periods is recognised, using the tax rates and tax laws that are enacted or substantively enacted. Deferred tax asset is recognised only to the extent there is reasonable certainty with respect to reversal of the same in future years as a matter of prudence.

14. Earnings per Share:

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

15. Provision, Contingent Liabilities and Contingent Assets

- a) A provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.
- b) Contingent Liabilities are not provided for in the accounts and are shown separately in the Notes on Account.
- c) Contingent Assets are neither recognised nor disclosed in the financial statements.

16. Miscellaneous Expenditure:

Share Issue expenses are being amortised over a period of 5 years u/s 35D of the Income-tax Act, 1961.

B) NOTES ON ACCOUNTS

1. Secured Loans

- a) Term Loan obtained from State Bank of India, is secured by way of first charge on fixed assets, movable and immovable, relating to Company's Naphthalene Plant situated at Mahistikry, Hooghly West Bengal and further secured by first pari-passu charge over the other fixed assets of the Company situated at Mahistikry, Hooghly, West Bengal. The term loan is further secured by way of first pari-passu charge on the leasehold land at Mahistikry, Hooghly, West Bengal and by way of second pari-passu charge on the mortgage of immovable properties of the Company situated at Liluah Unit-I & Liluah Unit- II (West Bengal) and Visakhapatnam (Andhra Pradesh).
- b) Term Loan obtained from Non-Banking Finance Company (NBFC) is secured by way of first charge on the entire fixed assets of the Company located at Mahistikry, Hooghly, West Bengal except Naphthalene Project. It is further secured by way of first charge on the leasehold land of the Company situated at Mahistikry, Hooghly, West Bengal.
- c) Working Capital loans including buyer's credit obtained from State Bank of India, Central Bank of India, Citibank N.A., The Hong Kong and Shanghai Banking Corporation Ltd and Yes Bank Limited are secured by hypothecation of stock of raw materials, work-in progress, finished goods, stores, book debts and other current assets of the Company on pari-passu basis and additionally secured by the personal guarantees of promoter directors of the Company.



Schedules forming part of the accounts

20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

Additionally,

- i) Working Capital loans including buyer's credit obtained from State Bank of India, is secured by second pari-passu charge over the entire fixed assets of the Company;
- ii) Working Capital loans including buyer's credit obtained from Citibank N.A., The Hong Kong and Shanghai Banking Corporation Ltd and Yes Bank Limited are further secured by way of first pari-passu Charge over the entire fixed assets of the Company situated at Liluah Unit- I & Liluah Unit-II (West Bengal) and Visakhapatnam (Andhra Pradesh) and second pari-passu charge on the entire fixed assets of the Company located at Mahistikry, Hooghly (West Bengal).
- iii) Working Capital loans including buyer's credit obtained from Central Bank of India is secured by way of first pari-passu charge over the entire fixed assets of the Company situated at Liluah Unit- I & Liluah Unit- II (West Bengal) and Visakhapatnam (Andhra Pradesh).

2. Contingent Liabilities not provided for in respect of:

(Rs. in Lacs)

	As at 31.03.2008	As at 31.03.2007
a) Bank Guarantees	876.29	749.26
b) Letter of Credit outstanding	4,107.66	5,539.55
c) Estimated amount of commitments on capital account (net of advances)	4,008.20	2,050.00

3. Capital Work-in-Progress includes:

- i. Rs.242.49 lacs on account of pre-operative expenses (Previous year Rs.38.24 lacs)
 - ii. Rs.2329.30 lacs on account of advance against capital expenditure (Previous year Rs.554.55 lacs).
 - iii. Rs.141.53 lacs on account of stock of stores and spares (Previous year Rs. Nil).
4. In the opinion of the management, Current Assets, Loans & advances have a value on realisation at least equal to the amount at which they are stated in the Balance Sheet. Adequate provisions have been made for all known losses and liabilities.
 5. Fixed Deposits of Rs.161.87 lacs (Previous Year Rs.353.93 lacs) (including interest accrued) have been lodged with the Banks as margin against Letters of Credit & Bank Guarantees issued on behalf of the Company.
 6. In terms of the approval of the shareholders of the Company and as per the applicable statutory provisions including Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, the Company has during the year issued and allotted 27,62,000 warrants on preferential basis to entities in the promoter group and Citigroup Venture Capital International Growth Partnership Mauritius Ltd. entitling them to apply for equivalent number of fully paid equity shares of Rs.10 each of the Company at a price of Rs.426 per equity share within 18 months from the date of allotment of the warrants. Amount of Rs.2,588.46 lacs received against the warrants is shown as Deposit against Share Warrants in the Balance Sheet.

7. Employee Benefits

Effective 01 April, 2007 the Company adopted revised Accounting Standard 15 "Employee Benefits". Pursuant to the adoption, the excess of the transitional liability as per the actuarial valuation over the liability in the books as on 01 April, 2007 amounting to Rs.2.56 lacs is adjusted with general reserve as on that date in accordance with paragraph 145 of the said Accounting Standard.

A. The disclosures of Employee benefits as defined in the Accounting Standard are given below:

Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised as expense for the year is as under:

(Rs. in Lacs)

	2007-08	2006-07
Employer's Contribution to Provident and Other Funds	16.07	11.85



Schedules forming part of the accounts

20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

Defined Benefit Plan

The employee gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as on 31st March, 2008 which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

i. Reconciliation of Opening and Closing Balances of Defined Benefit Obligation (Rs. in Lacs)

	Gratuity (funded)
	2007-08
Defined Benefit obligation at beginning of the year	12.00
Current Service Cost	3.92
Interest Cost	0.96
Actuarial (Gain)/Loss	4.92
Benefits paid	(0.42)
Settlement cost	-
Defined Benefit obligation at the year end	21.38

ii. Reconciliation of Opening and Closing Balances of fair value of plan assets (Rs. in Lacs)

	Gratuity (funded)
	2007-08
Fair value of plan assets at beginning of the year	9.44
Expected return on plan assets	1.18
Actuarial (Gain)/Loss	-
Employers contribution	7.62
Benefits paid	(0.42)
Settlement cost	-
Fair value of plan assets at the year end	17.82
Actual return on plan assets	1.18

iii. Reconciliation of fair value of assets and obligation (Rs. in Lacs)

	Gratuity (funded)
	2007-08
Fair value of plan assets	17.82
Present value of obligation	21.38
Amount recognised in Balance Sheet	3.56

iv. Expenses recognised during the year (under the head "Employees' Emoluments": Refer Schedule No.18)

	(Rs. in Lacs)
	Gratuity (funded)
	2007-08
Current Service Cost	3.92
Interest Cost	0.96
Expected return on plan assets	(1.18)
Actuarial (Gain)/Loss	4.92
Net Cost	8.62



Schedules forming part of the accounts

20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

v. Actuarial Assumptions		(Rs. in Lacs)
		Gratuity (funded)
		2007-08
Mortality Table (LIC)		1994-96 (Ultimate)
Discount rate (per annum)		8%
Expected return on plan assets (per annum)		9%
Rate of escalation in salary (per annum)		6%

- vi. a) The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.
- b) The discounting rate is considered based on market yield on government bonds having currency and terms consistent with the currency in terms of the post employment benefit obligations.
- c) Expected rate of return assumed by the insurance company is generally based on their investment pattern as stipulated by the Government of India.

vii. The above information is certified by the actuary. This being the first year of implementation, previous year figures have not been given.

8. Employees' Emoluments include Rs.28.80 lacs (previous year - Rs.28.80 lacs) paid to Directors as salary and Miscellaneous Expenses include Rs.0.27 lacs (previous year - Rs.0.10 lacs) paid to Directors as sitting fees.

9. Auditors' Remuneration includes:

(Rs. in Lacs)		
	2007-08	2006-07
a) Audit Fees	4.00	4.00
b) Tax Audit Fees	1.20	1.20
c) Other Services	1.70	1.14
Total	6.90	6.34

10. Segment Reporting:

Primary Business Segment

The Company is mainly engaged in a single business segment of manufacture and sale of coal Tar By-Products, the disclosure requirement of Accounting Standard – 17, "Segment Reporting" notified under the Companies Act, 1956 is not applicable.

Geographical Segment

The secondary segmental reporting is based on the geographical location of customers. The Geographical segments have been disclosed based on revenue within India (sales to customers within India) and revenue outside India (sales to customers located outside India). Secondary segment assets and liabilities are based on the location of such asset/ liability.

Information about Secondary Geographical Segments

		(Rs. in Lacs)	
		2007-08	2006-07
Within India			
Segment Revenue		32,352.33	31,902.40
Segment Assets		55,912.99	45,959.90
Capital Expenditure during the year		12,072.01	7,116.62
Outside India			
Revenue		3,973.36	695.92

Since the total carrying amount of assets located outside India is less than 10% of the total assets of the Company, information in respect of segment assets located outside India and capital expenditure incurred outside India has not been disclosed.



Schedules forming part of the accounts

20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

11. Related Party Disclosures:

- i. Name of the related parties where control exists irrespective of whether transactions have occurred or not
- a) Enterprise on which the Company has control
Himadri Global Investment Ltd. Wholly Owned Subsidiary
- b) Entities / Individuals owning directly or indirectly an interest in the voting power that gives them control
None
- ii. Names of the other related parties with whom transactions have taken place during the year
- a) Key Managerial Personnel
- | | |
|------------------------|-------------------------|
| Bankey Lal Choudhary | Managing Director |
| Shyam Sundar Choudhary | Executive Director |
| Vijay Kumar Choudhary | Executive Director |
| Anurag Choudhary | Chief Executive Officer |
| Amit Choudhary | President – Projects |
| Tushar Choudhary | President – Operations |
- b) Enterprises over which Key Managerial Personnel have significant influence
- Himadri Credit & Finance Ltd.
Himadri Dyes & Intermediates Ltd.
Himadri Coke & Petro Ltd
Himadri Industries Ltd.
AAT Techno-Info Ltd.
Sri Agro Himghar Ltd
Himadri e-Carbon Ltd.

Transactions carried out with related parties referred to in above, in the ordinary course of business, are as under:

(Rs. in Lacs)

	2007-08	2006-07
Parties referred to in i(a) above		
Advance given	1.23	-
Balance at Year-end		
Investments	0.57	0.57
Advance	1.23	-
Parties referred to in ii(a) above		
Remuneration paid	46.80	46.80
Dividend Paid	147.97	369.93
Parties referred to in ii(b) above		
Repayment of Loan	150.00	150.00
Interest Paid on Loan	155.25	173.25
Interest provided on Debentures	283.07	252.32
Payment of Lease Rent	0.18	0.18
Dividend Paid	127.36	312.84
Deposit against Share Warrants	1,010.50	19.55
Equity Shares Issued	-	3,438.75
Sale of shares (held as investment)	172.73	-
Balance at Year-end		
Loans Taken	1,200.00	1350.00
Deep Discount Debentures	2,606.42	2323.35
Deposit against Share Warrants	1,030.05	19.55
Investments	199.99	273.49



Schedules forming part of the accounts

20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

12. Earnings per Share (EPS):

		Year ended 31.03.2008	Year ended 31.03.2007
Net Profit for the year attributable to equity shareholders: (Rs. in lacs)	(a)	8293.01	6,156.99
Weighted average number of Equity Shares of Rs.10 each outstanding during the period:	(b)	3,15,11,257	2,74,96,189
Add: Dilutive effect of issue of shares on exercise of warrants	(c)	11,11,847	1,12,479
Number of shares considered as weighted average shares and potential shares outstanding for calculation of diluted EPS	(d) = (b) + (c)	3,26,23,104	2,76,08,668
Earnings Per Share (Rs.):			
Basic	(e) = (a) / (b)	26.32	22.39
Diluted	(f) = (a) / (d)	25.42	22.30

13. Deferred Tax:

The components of Deferred Tax liabilities / assets are as under:

		As at 31.03.2008	As at 31.03.2007
<i>(Rs. in Lacs)</i>			
Components of Deferred Tax Liability			
Depreciation		1,673.67	1,241.01
Components of Deferred Tax Assets			
Unabsorbed Capital Loss		44.72	77.19
Net Deferred Tax Liability		1,628.95	1,163.82

14. There are no Micro, Small and Medium Enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2008. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

15. Additional information pursuant to provisions of Para 3 & 4 of Part II of Schedule VI to the Companies Act, 1956:

i. Capacity and production:

	Unit	2007-08 (Qty)	2006-07 (Qty)
Item: Coal Tar By-products			
Licensed / Installed capacity *	(M/T)	169000.000	169000.000
Capacity utilisation	(M/T)	179773.739	138408.795
Item: Windpower Generation			
Installed Capacity	Mega Watts	2.50	2.50

* Installed capacity has been certified by the Management and accepted by the Auditors; being a technical matter

ii. Quantitative details of product manufactured:

Item	Unit	2007-08 (Qty)	2006-07 (Qty)
Coal Tar By-Products	M/T	176068.352	133833.247
Coal Tar Tape*	SMT	89995.000	109237.800

* Includes 84500 SMT (Previous Year 3500 SMT) for Captive Consumption.

Schedules forming part of the accounts

20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd..)

iii. Raw Materials Consumed:

Item	Unit	2007-08		2006-07	
		(Qty)	Value (Rs. in lacs)	(Qty)	Value (Rs. in lacs)
Coal Tar, Pitch, Oils etc.	M/T	149376.645	22,026.51	129593.825	21,004.43
Coal Tar Pitch and others (own Production)	M/T	30033.351	-	8652.990	-
Others			24.33		19.74
			22,050.84		21,024.17

iv. Sales:

Item	Unit	2007-08		2006-07	
		(Qty)	Value (Rs. in lacs)	(Qty)	Value (Rs. in lacs)
Coal Tar By-products*	M/T	137624.634	42,804.09	121763.147	38,923.43
Coal Tar Tape	SMT	63333.560	64.88	58637.390	58.66
Windpower generated	Kwh	3511198	125.81	1883968	65.27
Others			6.55		22.62
			43,001.33		39,069.98

* Sales include Rs.457.29 lacs (previous year Rs.150.30 lacs) in respect of Oils used as Fuel.

v. Opening Stock:

Item	Unit	2007-08		2006-07	
		(Qty)	Value (Rs. in lacs)	(Qty)	Value (Rs. in lacs)
Coal Tar By-products	M/T	15452.674	4,074.49	12035.564	2,251.92
Coal Tar Tape	SMT	110765.770	113.53	63665.360	65.17
			4,188.02		2,317.09

vi. Closing Stock:

Item	Unit	2007-08		2006-07	
		(Qty)	Value (Rs. in lacs)	(Qty)	Value (Rs. in lacs)
Coal Tar By-products	M/T	23863.041	6,170.90	15452.674	4,074.49
Coal Tar Tape	SMT	52927.210	52.28	110765.770	113.53
			6,223.18		4,188.02

vii. Other Information:

a) C.I.F. Value of Imports:

(Rs. in Lacs)

Item	2007-08	2006-07
Raw Materials	5,244.95	7,164.96
Capital Goods	2.97	33.64

b) Expenditure in Foreign Currency:

(Rs. in Lacs)

Item	2007-08	2006-07
Travelling	25.75	29.19
Other matters	22.82	19.24



Schedules forming part of the accounts

20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

c) Value of imported & indigenous Raw Materials, Stores & Spares Consumed and percentage thereof:

Item	2007-08		2006-07	
	(Rs. in lacs)	%	(Rs. in lacs)	%
i) Raw Materials				
Imported	5,396.65	24.47	7,771.26	36.96
Indigenous	16,654.19	75.53	13,252.91	63.04
	22,050.84	100.00	21,024.17	100.00
ii) Consumable Stores & Spares				
Imported	-	-	-	-
Indigenous	81.22	100.00	31.50	100.00
	81.22	100.00	31.50	100.00

16. Earnings in Foreign Exchange:

F.O.B. value of exports - Rs.3,973.36 lacs (Previous year - Rs.695.92 lacs).

17. No Forward contracts/ hedging instruments are outstanding at the Balance Sheet date. Particulars of unhedged foreign currency exposure as at 31st March, 2008 are as follows:

	Currency	2007-08	2006-07
a) Amounts payable in foreign currency	USD	98.39 lacs	42.76 lacs
	EURO	-	32.98 lacs
b) Amounts receivable in foreign currency	USD	83.57 lacs	12.62 lacs

18. Previous year's figures have been re-grouped / re-arranged wherever considered necessary. The previous year's figures may, therefore, be different from audited figures for the year ended 31st March, 2007, and hence not comparable.

Signature to Schedules 1 to 20

As per our report of even date

For **S. Jaykishan**

Chartered Accountants

B. K. Newatia

Partner

Membership No.: 050251

Place: Kolkata

Dated : 16th June, 2008

B. L. Sharma

Company Secretary

S. S. Choudhary

Director

B. L. Choudhary

Managing Director



Balance Sheet Abstract

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

Balance Sheet Abstract and Company's General Business Profile

I. Identification Details

Registration No. State Code
 Balance Sheet Date
Date Month Year

II. Capital Raised during the (Amount in Rs. Thousands)

Public Issue Rights Issue
 Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities Total Assets

Sources of Funds

Paid-up Capital Deposit against Share Warrants
 Reserves and Surplus Secured Loans
 Unsecured Loans Deferred Tax Liability

Application of Funds

Net Fixed Assets Investments
 Net Current Assets Misc. Expenditure
 Accumulated Losses

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover Total Expenditure
 +/- Profit/Loss Before Tax +/- Profit/Loss Before Tax
 Earning Per Share (Basic) in Rs. Earning Per Share (Diluted) Rs.
 Dividend in %

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

Product Description	Item Code No. (ITC Code)
Coal Tar Pitch	<input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>
Creosote Oils	<input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/>
Coal Tar Tape	<input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="9"/>

As per our report of even date
 For S. Jaykishan
 Chartered Accountants

B. K. Newatia
 Partner
 Membership No.: 050251

B. L. Sharma
 Company Secretary

S. S. Choudhary
 Director

B. L. Choudhary
 Managing Director

Place: Kolkata
 Dated : 16th June, 2008



Statement pursuant to Section 212 of the Companies Act, 1956

Name of the subsidiary	Himadri Global Investment Limited Hong Kong
The financial year of the subsidiary Co ended on	31 March 2008
No. of shares held by Holding Co as on the above date	10,000
Extent of interest of the Holding Co at the end of financial year of the subsidiary	100%
Date from which it became a subsidiary	1 August 2006
The net aggregate amount of Profits/(Losses) of the subsidiary so far as they concern the members of the Holding Co. not dealt with in the holding company's accounts	
- For the financial year of the subsidiary	Loss Rs.1.68 Lacs
- For the previous Financial year of the subsidiary since it became the holding company's subsidiary	Loss Rs.2.08 Lacs
The net aggregate amount of Profits/(Losses) of the subsidiary so far as they concern the members of the Holding Co. dealt with in the holding company's accounts	
- For the financial year of the subsidiary	Nil
- For the previous Financial year of the subsidiary since it became the holding company's subsidiary	Nil
Change in the interest of holding Company between the end of subsidiary's financial year and 31st March 2008	The subsidiary's financial year is same as that of the Company.
Material changes between the end of subsidiary's financial year and 31st March 2008 in:	The subsidiary's financial year is same as that of the Company.
i) Fixed assets	
ii) Investments	
iii) Moneys lent by the subsidiary	
iv) Moneys borrowed by the subsidiary other than for meeting current liabilities	



Corporate Data

Sole director
Anurag Choudhary

Secretary
First Island Secretaries Limited

Registered office
905 Silvercord, Tower 2
30 Canton Road
Tsimshatsui, Kowloon
Hong Kong

Independent auditors
Moore Stephens
Certified Public Accountants
905 Silvercord, Tower 2,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

Report of the Sole Director

The sole director presents his report and the audited financial statements for the year ended 31 March 2008.

Activity

The company was dormant during the year.

Results

	HK\$
Loss for the year	(31,294)
Accumulated loss brought forward	(36,713)
Accumulated losses carried forward	(68,007)

Dividend

The sole director does not recommend the payment of a dividend for the year.

Director

The sole director at the date of this report is as set out on page 2.

Changes in director

There were no changes in director during the year or up to

the date of this report.

Rotation of directors

In accordance with the Company's Articles of Association, the sole director shall retire from office, and being eligible, offers himself for re-election.

Other

There are no other disclosures required under the Hong Kong Companies Ordinance.

Auditors

The auditors, Moore Stephens, retire and, being eligible, offer themselves for reappointment.

By order of the Board

Hong Kong
10 June 2008

Sole director



Independent Auditors' Report

To the Shareholders of

HIMADRI GLOBAL INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Himadri Global Investment Limited (the "company") set out on pages 7 to 16, which comprise the balance sheet as at 31 March 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director's responsibility for the financial statements

The director is responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial

statements. The procedures selected depend on the auditors' judgement, 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 auditors consider internal control relevant to the Company's preparation and true 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, 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, the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2008 and of its loss for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to note 2 c) in the financial statements which indicates that the Company incurred a net loss of HK\$31,294 during the year ended 31 March 2008 and, as of that date, the Company's total liabilities exceeded its total assets by HK\$58,007. These conditions, along with other matters as set forth in note 2 c), indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern.

Hong Kong
10 June 2008

Certified Public Accountants

**Income Statement** For the year ended 31 March 2008

(HK\$)

	Note	Year ended 31.03.2008	21.05.2005 to 31.03.2007
	3	-	-
Other revenue	3	-	-
Administrative expenses		(31,294)	(36,713)
Loss before taxation	4	(31,294)	(36,713)
Taxation	5	-	-
Loss for the year/period		(31,294)	(36,713)

Balance Sheet 31 March 2008

(HK\$)

	Note	2008	2007
Current assets			
Bank balance		5,440	9,950
Total assets		5,440	9,950
Capital and reserves			
Share capital	6	10,000	10,000
Accumulated losses		(68,007)	(36,713)
Total deficiency	2 c)	(58,007)	(26,713)
Current liabilities			
Due to holding company		23,875	21,275
Accruals		39,572	15,388
Total liabilities		63,447	36,663
Total deficiency and liabilities		5,440	9,950

Sole director

Statement of Changes in Equity For the year ended 31 March 2008

(HK\$)

	Share Capital	Accumulated losses	Total
Issue of share	10,000	-	10,000
Loss for the period	-	(36,713)	(36,713)
31 March 2007	10,000	(36,713)	(26,713)
Loss for the year	-	(31,294)	(31,294)
31 March 2008	10,000	(68,007)	(58,007)



Cash Flow Statement

For the year ended 31 March 2008

(HK\$)

	Year ended 31.03.2008	21.05.2005 to 31.03.2007
OPERATING ACTIVITIES		
Loss before taxation and operating loss before working capital changes	(31,294)	(36,713)
Increase in amount due to holding company	2,600	21,275
Increase in accruals	24,184	15,388
Net cash used in operating activities	(4,510)	(50)
Proceeds from issue of shares	–	10,000
Net cash generated from financing activities	–	10,000
(Decrease)/increase in cash and cash equivalents	(4,510)	9,950
Cash and cash equivalents at beginning of year/period	9,950	–
Cash and cash equivalents at end of year/period	5,440	9,950
Analysis of balances of cash and cash equivalents		
Bank balance	5,440	9,950

Notes to the Financial Statements

31 March 2008

The company is a limited liability company incorporated in Hong Kong. The company was dormant during the year.

2

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The financial statements have been prepared using historical cost basis and are presented in Hong Kong dollars, the functional currency of the Company.

The principal accounting policies and methods of computation used in the preparation of the financial statements for the year ended 31 March 2008 are consistent with those adopted in the preparation of financial statements for the period ended 31 March 2007, except for the adoption of the new and revised HKFRSs as explained in a) below.

a) Adoption of new and revised HKFRSs

During the current year, the Company has adopted HKFRS 7 "Financial Instruments: Disclosures" which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to HKAS 1 "Presentation of Financial Statements".

The impact of the adoption of HKFRS 7 and the changes to HKAS 1 has been to expand the disclosures provided in these financial statements regarding the significance of the Company's financial instruments and the nature and extent of risks arising from those instruments and the management of capital.

Four Interpretations issued by the HKICPA are effective for the current year. These are: HK(IFRIC) Interpretation 8 "Scope of HKFRS 2"; HK(IFRIC) Interpretation 9 "Reassessment of Embedded Derivatives"; HK(IFRIC) Interpretation 10 "Interim Financial Reporting and Impairment"; and HK(IFRIC) Interpretation 11 "HKFRS 2 - Group and Treasury Share Transactions". The adoption of these interpretations has not led to any changes in the Company's accounting policy.

b) Judgements and estimates

The preparation of financial statements in conformity with HKFRSs requires the sole director to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income



Notes to the Financial Statements 31 March 2008

and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The sole director has considered the development, selection and disclosure of the Company's accounting policies and estimates. There are no critical accounting judgements in applying the Company's accounting policies other than the above.

c) Going concern

The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business. Accumulated losses result in a deficiency in assets in the amount of HK\$58,007 at the balance sheet date. The company's continuance in business as a going concern is dependent on the undertaking from the holding company to provide continuing financial support to enable the Company to meet its liabilities, both present and future, as and when they fall due and/or the Company generating sufficient profit in the foreseeable future. The holding company agreed to provide continuing financial support to the Company for at least one year from the date that the financial statements are approved by the sole director of the Company.

d) Taxation

Taxation in the income statement represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

e) Foreign currency translation

Items included in the financial statements are measured using the currency that determined the pricing of the transactions that the Company undertakes ("the functional currency"). The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Transactions in currencies other than the functional currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on exchange are included in the income statement.



Notes to the Financial Statements 31 March 2008

f) Cash and cash equivalents

For the purpose of the cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

g) Related parties

A party is considered to be related to the Company if:-

- i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence;
- ii) the party is a member of the key management personnel of the Company;
- iii) the party is a close member of the family of any individual referred to in i) or ii);
- iv) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in ii) or iii); or
- v) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

3. Turnover

The company did not have any turnover or other revenue for the year/period.

4. Loss before taxation

Loss before taxation is arrived at after charging:-

	(HK\$)	
	Year ended 31.03.2008	21.05.2005 to 31.03.2007
Auditors' remuneration	10,000	10,000
Director's emoluments	-	-

5. Taxation

No provision for Hong Kong Profits Tax has been made as, in the opinion of the sole director, there was no assessable income generated during the year/period.

6.

	(HK\$)	
	2008	2007
Authorised, issued and fully paid:-		
10,000 ordinary shares of HK\$1 each	10,000	10,000

7.

The amount due to holding company is unsecured, interest-free and there are no fixed terms for repayment.

8. Financial risk management, management of capital and estimation of fair value

a) Financial risk management

The company is exposed to a variety of risks arising in the normal course of the Company's business activities.

The company does not have any written risk management policies and guidelines, the sole director monitor the financial risk management of the Company and take such measures as considered necessary from time to time to minimise such financial risks.

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.



Notes to the Financial Statements 31 March 2008

b) Management of capital

The holding company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital of the Company consists of equity comprising issued capital and retained earnings disclosed in the statement of changes in equity.

- The holding company reviews the capital structure of the Company on an annual basis and manages the Company's future capital structure and requirements through the payment of dividends and intra group loans.

The holding company's and company's overall strategy remains unchanged from 2007.

c) Estimation of fair values

The notional amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of non-trade balances due to holding company has not been determined as the timing of the expected cash flows of these balances cannot be reasonably determined because of the relationship.

9. Recently accounting and financial reporting pronouncements

The HKICPA has issued the following amendments, new standards and interpretations which may be/are relevant to the preparation of the Company's financial statements for accounting periods after 31 March 2008:-

		Effective for accounting periods beginning on or after
HKFRS 8	Operating Segments	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HK(IFRIC) - Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC) - Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) - Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

HKFRS 8 introduces the "management approach" to segment reporting and supersedes HKAS 14 "Segment Reporting". However, HKFRS 8 applies only to listed companies and, in the opinion of the sole director, will not therefore be relevant to the Company's financial statements.

HKAS 23 (Revised) and HK(IFRIC) - Interpretations 2, 13 and 14 are not expected to have any material impact on the Company's financial statements.

10. Corporate affiliations

The parent company is Himadri Chemicals & Industries Limited, which is incorporated in India, with registered office at 23A, Netaji Subhas Road, 8th Floor, Kolkata 700 001, India which, in the opinion of the sole director, is also the ultimate holding company.

11. Approval of the financial statements

The financial statements were approved and authorised for issue by the sole director on 10 June 2008.

Consolidated Auditors' Report

To the Board of Directors of

HIMADRI CHEMICALS & INDUSTRIES LIMITED

1. We have audited the attached Consolidated Balance Sheet of Himadri Chemicals and Industries Limited ("the Company") and its subsidiary ("the Group") as at 31st March, 2008 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The financial statements of the subsidiary, Himadri Global Investment Ltd., (incorporated in Hong Kong), with total assets of Rs. 0.28 Lacs as at 31st March, 2008 and total expenditure of Rs.1.68 Lacs for the year ended on that date have not been audited by us. These financial statements have been audited by other auditor, whose report has been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of this subsidiary is based solely on the report of other auditor.
4. We report that the Consolidated Financial Statements have been prepared by the Group in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements" notified by the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of the Company and its subsidiary.
5. Based on our audit and on consideration of the report of other auditor on separate financial statements of the subsidiary, and on the basis of information and explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 31st March, 2008; and
 - b) in case of the Consolidated Profit and Loss account, of the consolidated results of operations of the Group for the year ended on that date; and
 - c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For S. Jaykishan
Chartered Accountants

B. K. Newatia
Partner

Place : Kolkata

Dated : 16th day of June, 2008 Membership No. 050251

Consolidated Balance Sheet

As at 31st March, 2008

(Rs. in Lacs)

Schedule	As at		
	31.03.2008	31.03.2007	
1. Shareholders' Funds			
a) Share Capital	1	3,151.13	3,151.13
b) Deposit against Share Warrants		2,666.66	78.20
c) Reserves & Surplus	2	28,278.78	20,728.90
2. Loan Funds			
a) Secured Loans	3	18,442.92	15,433.70
b) Unsecured Loans	4	2,876.42	2,609.23
3. Deferred Tax Liability (Net)		1,628.95	1,163.82
Total		57,044.86	43,164.98
1. Fixed Assets	5		
a) Gross Block		29,897.21	21,857.72
b) Less : Depreciation		4,609.21	3,294.26
c) Net Block		25,288.00	18,563.46
d) Capital Work in Progress		4,963.09	930.57
2. Investments	6	205.39	278.89
3. Current Assets, Loans & Advances			
a) Inventories	7	12,825.01	8,256.87
b) Sundry Debtors	8	6,829.92	4,267.11
c) Cash & Bank Balances	9	1,565.23	9,559.70
d) Loans & Advances	10	9,549.24	5,812.23
		30,769.40	27,895.91
Less : Current Liabilities & Provisions			
a) Current Liabilities	11	1,787.68	1,299.44
b) Provisions	12	2,579.90	3,431.71
Net Current Assets		26,401.82	23,164.76
4. Miscellaneous Expenditure	13	186.56	227.30
Total		57,044.86	43,164.98
Significant Accounting Policies & Notes on Accounts	20		

Schedules referred to above form an integral part of the Consolidated Balance Sheet.

As per our report of even date

For S. Jaykishan

Chartered Accountants

B. K. Newatia

Partner

Membership No.: 050251

B. L. Sharma

Company Secretary

S. S. Choudhary

Director

B. L. Choudhary

Managing Director

Place: Kolkata

Dated : 16th June, 2008

Consolidated Profit and Loss Account For the year ended 31st March, 2008

(Rs. in Lacs)

Schedule	Year ended	Year ended	
	31.03.2008	31.03.2007	
Sales	14	43,001.33	39,069.98
Less : Taxes & Duties		6,675.64	6,471.66
Net Sales		36,325.69	32,598.32
Other Income	15	545.50	322.80
Increase/(Decrease) in Stocks	16	2,035.16	1,870.93
Total		38,906.35	34,792.05
Raw Materials Consumed	17	22,050.84	21,024.17
Manufacturing & Other Expenses	18	3,830.74	3,406.90
Interest & Other Financial Charges	19	1,114.37	1,148.18
Depreciation		1,314.95	1,060.89
Total		28,310.90	26,640.14
Profit before tax		10,595.45	8,151.91
Provision for Taxation :			
Current Tax(including FBT)		1,839.00	1,588.38
Deferred Tax		465.13	408.63
Profit after tax		8,291.32	6,154.90
Surplus from earlier year		4,183.47	2,873.83
Income-tax for earlier years		(0.54)	(1.93)
Amount available for appropriation		12,474.25	9,026.80
APPR:			
Transfer to General Reserve		3,000.00	3,000.00
Proposed Dividend		630.23	1,575.56
Corporate Dividend Tax		107.11	267.77
Balance carried to Balance Sheet		8,736.91	4,183.47
Earnings Per Share(Rs.) : (Face Value Rs.10 each)			
Basic		26.31	22.38
Diluted		25.42	22.29
Significant Accounting Policies & Notes on Accounts	20		

Schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

As per our report of even date

For S. Jaykishan

Chartered Accountants

B. K. Newatia

Partner

Membership No.: 050251

B. L. Sharma

Company Secretary

S. S. Choudhary

Director

B. L. Choudhary

Managing Director

Place: Kolkata

Dated : 16th June, 2008

Consolidated Cash Flow Statement

For the year ended 31st March, 2008

(Rs in Lacs.)

		Year ended 31.03.2008
OPERATING ACTIVITIES		
Net Profit Before Tax & Extra-Ordinary Items		10,595.45
Adjustments for :		
Depreciation	1,314.95	
Miscellaneous Expenditure Written Off	60.85	
Effect of changes in foreign currency translation	(1.00)	
Interest Paid	759.33	
Interest Received	(239.66)	
Dividend Received	(2.17)	
Proportionate Discount on Debentures W/Off	283.07	
Provision for Gratuity	1.00	
		2,176.37
Operating Profit before Working Capital Changes		12,771.82
Adjustments for :		
(Increase)/Decrease in Trade & Other Receivables	(5,871.72)	
(Increase)/Decrease in Inventories	(4,568.14)	
Increase/(Decrease) in Trade & Other Payables	488.24	
		(9,951.62)
Cash generated from operations		2,820.20
Direct Tax Paid		(2,016.48)
Prior Year Adjustments		(0.54)
Net Cash from Operating Activities		803.18
INVESTING ACTIVITIES		
Purchase of Fixed Assets (including Capital Work-in-Progress)	(12,072.01)	
Interest Income	239.66	
Dividend Income	2.17	
Sale of investments	73.50	
Purchase of Investments	-	
Net Cash used in Investing Activities		(11,756.68)
FINANCING ACTIVITIES		
Issue of Share Capital (including Share Premium)	-	
Deposit against Share Warrants	2,588.46	
Increase/(Decrease) in Long Term Borrowings	(675.51)	
Increase/(Decrease) in Short Term Borrowings	-	
Increase/(Decrease) in Working Capital Borrowings	3,684.73	
Deferred Sales Tax	(15.88)	
Share Issue Expenses	(20.11)	
Interest Paid	(759.33)	
Dividend Paid	(1,575.56)	
Dividend Tax Paid	(267.77)	
Net Cash from Financing Activities		2,959.03
Net Increase/(Decrease) in Cash/Cash Equivalents		(7,994.47)
Cash & Cash Equivalents at the beginning of the year (Refer Schedule 9 to the Accounts)		9,559.70
Cash & Cash Equivalents at the end of the year (Refer Schedule 9 to the Accounts)		1,565.23

Note: The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard- 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

As per our report of even date

For **S. Jaykishan**

Chartered Accountants

B. K. Newatia

Partner

Membership No.: 050251

B. L. Sharma

Company Secretary

S. S. Choudhary

Director

B. L. Choudhary

Managing Director

Place: Kolkata

Dated : 16th June, 2008



Schedules forming part of the Consolidated accounts

(Rs. in Lacs)

	As at 31.03.2008	As at 31.03.2007
1 SHARE CAPITAL		
Authorised		
4,00,00,000 Equity Shares of Rs.10/- each (Previous year 3,30,00,000 Equity Shares)	4,000.00	3,300.00
Issued, subscribed and paid-up		
3,15,11,257 Equity Shares of Rs.10/- each fully paid up (Previous year 3,15,11,257 Equity Shares) (Out of which, 1,55,42,857 Equity Shares issued for consideration otherwise than in cash)	3,151.13	3,151.13
	3,151.13	3,151.13
2 RESERVES AND SURPLUSES		
Capital Reserve		
Sales Tax Capital Subsidy	14.86	14.86
Capital Investment Subsidy	43.84	43.84
Amalgamation Reserve	61.30	61.30
Foreign Exchange Translation Reserve	0.21	1.21
General Reserve		
As per Last Account	3,020.00	20.00
Less : Provision for Gratuity as on 01.04.2007	(2.56)	-
Add : Transferred from Profit & Loss A/C	3,000.00	3,000.00
	6,017.44	3,020.00
Securities Premium		
As per Last Account	13,404.22	249.22
Add : Received during the year	-	13,155.00
	13,404.22	13,404.22
Surplus		
Balance as per Profit & Loss A/c annexed	8,736.91	4,183.47
	28,278.78	20,728.90
3 SECURED LOANS		
Term Loan from State Bank of India	3,749.69	4,250.00
Term Loan from Non Banking Finance Company	1,200.00	1,350.00
Working Capital Loans from Banks	9,923.08	6,144.56
Buyer's Credit from Banks	3,560.59	3,654.38
Loan against Equipments & Vehicles (secured by charge on specific assets)	9.56	34.76
	18,442.92	15,433.70
4 LONG TERM		
Deep Discount Debentures		
Issued during financial year 2001-2002 aggregating Rs. 123 Crores at discounted price of Rs. 12.30 Crores redeemable at par at the end of 20 years from the date of allotment i.e.24th September, 2001	12,300.00	12,300.00
Less : Discount on issue of debentures to the extent not written off or adjusted	9,693.58	9,976.65
	2,606.42	2,323.35
Sales Tax Deferment	270.00	285.88
	2,876.42	2,609.23

Schedules forming part of the Consolidated accounts

(Rs. in Lacs)
5 FIXED ASSETS

Description of Assets	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As on 01.04.2007	Addition during the year	Deletion during the year	Total Upto 31.03.2008	As on 01.04.2007	Provided during the year	Adjusted during the year	Total Upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
Land	1,156.65	52.27	-	1,208.92	-	-	-	-	1,208.92	1,156.65
Factory Shed & Building	2,378.35	319.91	-	2,698.26	312.11	89.98	-	402.09	2,296.17	2,066.24
Plant & Machinery	16,929.13	7,374.68	-	24,303.81	2,501.52	1,102.87	-	3,604.39	20,699.42	14,427.61
Laboratory Equipment	178.41	26.25	-	204.66	62.44	7.81	-	70.25	134.41	115.97
Office Equipment	61.25	11.63	-	72.88	26.76	4.24	-	31.00	41.88	34.49
Furniture & Fixture	157.02	13.00	-	170.02	51.35	14.10	-	65.45	104.57	105.67
Fire Extinguisher	20.87	4.07	-	24.94	3.44	1.12	-	4.56	20.38	17.43
Vehicles	217.57	55.87	-	273.44	94.86	25.78	-	120.64	152.80	122.71
Tubewell	8.87	1.75	-	10.62	0.95	0.42	-	1.37	9.25	7.92
Electrical Installation	411.89	158.39	-	570.28	33.36	24.45	-	57.81	512.47	378.53
Cycle	0.56	0.04	-	0.60	0.22	0.04	-	0.26	0.34	0.34
Computers	192.07	21.63	-	213.70	106.97	26.22	-	133.19	80.51	85.10
Tankers	145.08	-	-	145.08	100.28	17.92	-	118.20	26.88	44.80
Total	21,857.72	8,039.49	-	29,897.21	3,294.26	1,314.95	-	4,609.21	25,288.00	18,563.46
Previous Year Total	15,209.45	6,648.27	-	21,857.72	2,233.37	1,060.89	-	3,294.26	18,563.46	

Note:

Original Cost as at 31st March, 2008 of Vehicles includes Rs. 89.26 lacs (Previous Year- Rs. 58.62 lacs) acquired under Auto Finance Scheme from Banks, of which Rs. 62.71 lacs (Previous Year- Rs. 39.65 lacs) was outstanding as at 31st March, 2008.

	Face Value	As at 31.03.2008		As at 31.03.2007	
	(Rs.)	No. of Shares	Amount	No. of Shares	Amount
6					
Quoted					
Equity Shares of Other Companies					
ACC Ltd.	10	1,275	1.95	1,275	1.95
Himadri Credit & Finance Ltd.	10	334,900	33.49	334,900	33.49
Transchem Ltd.	10	8,000	2.40	8,000	2.40
NDTV Ltd.	4	1,400	0.98	1,400	0.98
			38.82		38.82
Unquoted					
Kishan Vikas Patra (lodged as security with Sales Tax Authority)	7,500		0.07		0.07
Equity Shares of Other Companies					
Himadri Dyes & Intermediates Ltd.	10	720,000	72.00	720,000	72.00
Himadri Coke & Petro Ltd.	10	60,000	6.00	60,000	6.00
Himadri Industries Ltd.	10	493,300	84.50	493,300	84.50
Sri Agro Himghar Ltd.	100	-	-	73,500	73.50
Himadri e-Carbon Ltd.	10	40,000	4.00	40,000	4.00
			166.57		240.07
Total			205.39		278.89
Aggregate Market Value of Quoted Investments			49.76		48.98



Schedules forming part of the Consolidated accounts

(Rs. in Lacs)

	As at 31.03.2008	As at 31.03.2007
7 INVENTORIES (as taken, valued & certified by)		
Finished Goods	6,223.18	4,188.02
Raw Materials	6,283.80	3,786.47
Materials In Transit	185.74	18.63
Packing Materials	118.61	70.30
Furnace Oil	13.68	193.45
	12,825.01	8,256.87

8 SUNDRY DEBTORS (Unsecured, Considered Good)

Over six months	237.05	161.15
Others	6,592.87	4,105.96
	6,829.92	4,267.11

9 CASH AND

Cash in Hand (As certified by Management)	83.22	61.27
Balance with Scheduled Banks in Current Accounts	71.14	157.53
Cheques in Hand	444.78	357.15
Fixed Deposits with Scheduled Banks (including interest accrued thereon)	966.09	8,983.75
	1,565.23	9,559.70

10

Advances recoverable in cash or in kind or for value to be received		
To Suppliers	3,108.33	2,877.35
To Subsidiary	-	-
To Others	1,739.47	341.30
Balance with Central Excise & Cenvat Receivable	2,559.34	1,147.57
Sales Tax Deposit & VAT Receivable	146.28	104.40
Income Tax Payments	1,565.17	1,142.21
Income Tax Refundable	15.44	10.30
Earnest Money & Security Deposits	415.21	189.10
	9,549.24	5,812.23

11 CURRENT LIABILITIES

Sundry Creditors		
Micro, Small & Medium Enterprises	-	-
Others	845.60	577.20
Other Liabilities	942.08	722.24
	1,787.68	1,299.44

12 PROVISIONS

Provision for Taxation	1,839.00	1,588.38
Provision for Gratuity	3.56	-
Proposed Dividend	630.23	1,575.56
Corporate Dividend Tax	107.11	267.77
	2,579.90	3,431.71

Schedules forming part of the Consolidated accounts

(Rs. in Lacs)

	Year ended 31.03.2008	Year ended 31.03.2007
13		
Share Issue Expenses	247.41	284.12
Less: Amount Written Off	60.85	56.82
	186.56	227.30

14 SALES

Sales		
Local	47,065.54	41,421.22
Export	4,568.25	810.15
	51,633.79	42,231.37
Less : Inter Unit Transfer	8,632.46	3,161.39
	43,001.33	39,069.98

15 OTHER INCOME

Interest on FDR (TDS- Rs.51,67,295/- ; P.Y. Rs.11,79,132/-)	239.66	64.56
Dividend Received	2.17	102.07
Warranty & other Claims	203.57	-
Profit on sale of shares	99.22	-
Foreign Exchange Fluctuation Gain(net)	0.39	68.82
Miscellaneous Receipts	0.49	-
Sales Tax Remission	-	87.35
	545.50	322.80

16 INCREASE/(DECREASE) IN STOCKS

Closing Stock of Finished Goods	6,223.18	4,188.02
Less : Opening Stock of Finished Goods	4,188.02	2,317.09
Increase/(Decrease) in Stocks	2,035.16	1,870.93

17 RAW MATERIALS CONSUMED

Opening Stock	3,786.47	2,098.17
Add: Purchases	32,459.39	25,601.02
	36,245.86	27,699.19
Less: Inter unit Stock transfer	7,911.22	2,888.55
Less: Closing Stock	6,283.80	3,786.47
	22,050.84	21,024.17



Schedules forming part of the Consolidated accounts

(Rs. in Lacs)

	Year ended 31.03.2008	Year ended 31.03.2007
18 MANUFACTURING & OTHER EXPENSES		
Consumable Stores & Spares	81.22	31.50
Power & Fuel	1,055.95	1,050.69
Employees' Emoluments		
a) Salaries, Wages & Allowances	312.06	232.46
b) Contribution To Provident & Other Funds	16.07	11.85
c) Gratuity	8.62	5.16
d) Welfare & Other Amenities	28.29	29.73
Excise Duty on Variation in Stocks	191.75	267.44
Rent	15.59	15.31
Rates & Taxes	13.17	28.09
Repairs To:		
Factory Shed & Building	57.64	22.99
Plant & Machinery	176.49	118.94
Others	27.65	9.49
Insurance	111.51	97.02
Rebates & Discount	71.02	133.83
Miscellaneous Expenses	646.83	525.32
Share Transfer Expenses	1.82	1.86
Auditors' Remuneration	7.44	6.91
Packing Expenses	120.64	109.68
Freight & Forwarding Expenses	826.00	648.83
Loss on redemption of Mutual Fund (Short term)	0.13	2.98
Share Issue Expenses W/off	60.85	56.82
	3,830.74	3,406.90

19 INTEREST & OTHER FINANCIAL CHARGES

Interest :		
On Term Loans	350.60	307.36
Others	408.73	511.51
Discount on Debentures W/Off	283.07	252.32
Bank Charges	71.97	76.99
	1,114.37	1,148.18

Schedules forming part of the Consolidated accounts

20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A SIGNIFICANT ACCOUNTING POLICIES

1. Principles of consolidation

The consolidated financial statements relate to Himadri Chemicals and Industries Limited ('the Company') and its subsidiary company. The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the Company and its subsidiary company are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra group transactions in accordance with the Accounting Standards (AS) 21- "Consolidated Financial Statements".
- b) In case of foreign subsidiaries, being non-integral foreign operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the exchange fluctuation reserve.
- c) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve as the case may be.
- d) The difference between the proceeds from disposal of investment in a subsidiary and the carrying amount of its assets less liabilities as of the date of disposal is recognised in the consolidated statement of Profit and Loss Account as exceptional item being the profit or loss on disposal of investment in subsidiary.
- e) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

2. Investments other than in subsidiaries and associates have been accounted as per Accounting Standard (AS) 13. "Accounting for Investments".

3. Other significant accounting policies.

These are set out under "Significant Accounting Policies" as given in the Standalone Financial Statements of Himadri Chemicals & Industries Limited.

B

1. Secured Loans

- a) Term Loan obtained from State Bank of India, is secured by way of first charge on fixed assets, movable and immovable, relating to Company's Naphthalene Plant situated at Mahistikry, Hooghly West Bengal and further secured by first pari-passu charge over the other fixed assets of the Company situated at Mahistikry, Hooghly, West Bengal. The term loan is further secured by way of first pari-passu charge on the leasehold land at Mahistikry, Hooghly, West Bengal and by way of second pari-passu charge on the mortgage of immovable properties of the Company situated at Liluah Unit-I & Liluah Unit- II (West Bengal) and Visakhapatnam (Andhra Pradesh).
- b) Term Loan obtained from Non-Banking Finance Company (NBFC) is secured by way of first charge on the entire fixed assets of the Company located at Mahistikry, Hooghly, West Bengal except Naphthalene Project. It is further secured by way of first charge on the leasehold land of the Company situated at Mahistikry, Hooghly, West Bengal.
- c) Working Capital loans including buyer's credit obtained from State Bank of India, Central Bank of India, Citibank N.A., The Hong Kong and Shanghai Banking Corporation Ltd and Yes Bank Limited are secured by hypothecation of stock of raw materials, work-in progress, finished goods, stores, book debts and other current assets of the Company on pari-passu basis and additionally secured by the personal guarantees of promoter directors of the Company.



Schedules forming part of the Consolidated accounts

20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

Additionally,

- i) Working Capital loans including buyer's credit obtained from State Bank of India, is secured by second pari-passu charge over the entire fixed assets of the Company;
- ii) Working Capital loans including buyer's credit obtained from Citibank N.A., The Hong Kong and Shanghai Banking Corporation Ltd and Yes Bank Limited are further secured by way of first pari-passu Charge over the entire fixed assets of the Company situated at Liluah Unit- I & Liluah Unit-II (West Bengal) and Visakhapatnam (Andhra Pradesh) and second pari-passu charge on the entire fixed assets of the Company located at Mahistikry, Hooghly (West Bengal).
- iii) Working Capital loans including buyer's credit obtained from Central Bank of India is secured by way of first pari-passu charge over the entire fixed assets of the Company situated at Liluah Unit- I & Liluah Unit- II (West Bengal) and Visakhapatnam (Andhra Pradesh).

2. Contingent Liabilities not provided for in respect of:

(Rs. in Lacs)

	As at 31.03.2008	As at 31.03.2007
a) Bank Guarantees	876.29	749.26
b) Letter of Credit outstanding	4,107.66	5,539.55
c) Estimated amount of commitments on capital account (net of advances)	4,008.20	2,050.00

3. Capital Work-in-Progress includes:

- i. Rs. 242.49 lacs on account of pre-operative expenses (Previous year Rs. 38.24 lacs)
- ii. Rs. 2329.30 lacs on account of advance against capital expenditure (Previous year Rs. 554.55 lacs).
- iii. Rs. 141.53 lacs on account of stock of stores and spares (Previous year Rs. Nil).

4. In the opinion of the management, Current Assets, Loans & advances have a value on realisation at least equal to the amount at which they are stated in the Balance Sheet. Adequate provisions have been made for all known losses and liabilities.

5. Fixed Deposits of Rs. 161.87 lacs (Previous Year Rs.353.93 lacs) (including interest accrued) have been lodged with the Banks as margin against Letters of Credit & Bank Guarantees issued on behalf of the Company.

6. In terms of the approval of the shareholders of the Company and as per the applicable statutory provisions including Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, the Company has during the year issued and allotted 27,62,000 warrants on preferential basis to entities in the promoter group and Citigroup Venture Capital International Growth Partnership Mauritius Ltd. entitling them to apply for equivalent number of fully paid equity shares of Rs. 10 each of the Company at a price of Rs. 426 per equity share within 18 months from the date of allotment of the warrants. Amount of Rs. 2588.46 lacs received against the warrants is shown as Deposit against Share Warrants in the Balance Sheet.

7. Employee Benefits

Effective 1st April, 2007 the Company adopted revised Accounting Standard 15 "Employee Benefits". Pursuant to the adoption, the excess of the transitional liability as per the actuarial valuation over the liability in the books as on 1st April, 2007 amounting to Rs.2.56 lacs is adjusted with general reserve as on that date in accordance with paragraph 145 of the said Accounting Standard.

A. The disclosures of Employee benefits as defined in the Accounting Standard are given below:

Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised as expense for the year is as under:

(Rs. in Lacs)

	2007-08	2006-07
Employer's Contribution to Provident and Other Funds	16.07	11.85

Schedules forming part of the Consolidated accounts

20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

Defined Benefit Plan

The employee gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as on 31st March, 2008 which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

i. Reconciliation of Opening and Closing Balances of Defined Benefit Obligation

(Rs. in Lacs)

	Gratuity (funded) 2007-08
Defined Benefit obligation at beginning of the year	12.00
Current Service Cost	3.92
Interest Cost	0.96
Actuarial (Gain)/Loss	4.92
Benefits paid	(0.42)
Settlement cost	-
Defined Benefit obligation at the year end	21.38

ii. Reconciliation of Opening and Closing Balances of fair value of plan assets

(Rs. in Lacs)

	Gratuity (funded) 2007-08
Fair value of plan assets at beginning of the year	9.44
Expected return on plan assets	1.18
Actuarial (Gain)/Loss	-
Employers contribution	7.62
Benefits paid	(0.42)
Settlement cost	-
Fair value of plan assets at the year end	17.82
Actual return on plan assets	1.18

iii. Reconciliation of fair value of assets and obligation

(Rs. in Lacs)

	Gratuity (funded) 2007-08
Fair value of plan assets	17.82
Present value of obligation	21.38
Amount recognised in Balance Sheet	3.56

iv. Expenses recognised during the year (under the head "Employees' Emoluments"- Refer Schedule No.18)

(Rs. in Lacs)

	Gratuity (funded) 2007-08
Current Service Cost	3.92
Interest Cost	0.96
Expected return on plan assets	(1.18)
Actuarial (Gain)/Loss	4.92
Net Cost	8.62



Schedules forming part of the Consolidated accounts

20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

v. Actuarial Assumptions

(Rs. in Lacs)

	Gratuity (funded) 2007-08
Mortality Table (LIC)	1994-96 (Ultimate)
Discount rate (per annum)	8%
Expected return on plan assets (per annum)	9%
Rate of escalation in salary (per annum)	6%

- vi. a) The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.
- b) The discounting rate is considered based on market yield on government bonds having currency and terms consistent with the currency in terms of the post employment benefit obligations.
- c) Expected rate of return assumed by the insurance company is generally based on their investment pattern as stipulated by the Government of India.

vii. The above information is certified by the actuary. This being the first year of implementation, previous year figures have not been given.

8. Employees' Emoluments include Rs.28.80 lacs (previous year - Rs. 28.80 lacs) paid to Directors as salary and Miscellaneous Expenses include Rs. 0.27 lacs (previous year - Rs.0.10 lacs) paid to Directors as sitting fees.

9. Auditors' Remuneration includes:

(Rs. in Lacs)

	2007-08	2006-07
a) Audit Fees	4.54	4.57
b) Tax Audit Fees	1.20	1.20
c) Other Services	1.70	1.14
Total	7.44	6.91

10. Segment Reporting:

Primary Business Segment

The Company is mainly engaged in a single business segment of manufacture and sale of coal Tar By-Products, the disclosure requirement of Accounting Standard – 17, "Segment Reporting" notified under the Companies Act, 1956 is not applicable.

Geographical Segment

The secondary segmental reporting is based on the geographical location of customers. The Geographical segments have been disclosed based on revenue within India (sales to customers within India) and revenue outside India (sales to customers located outside India). Secondary segment assets and liabilities are based on the location of such asset/ liability.

Information about Secondary Geographical Segments

(Rs. in Lacs)

	2007-08	2006-07
Within India		
Segment Revenue	32,352.33	31,902.40
Segment Assets	55,913.26	45,960.45
Capital Expenditure during the year	12,072.01	7,116.62
Outside India		
Revenue	3,973.36	695.92

Since the total carrying amount of assets located outside India is less than 10% of the total assets of the Company, information in respect of segment assets located outside India and capital expenditure incurred outside India has not been disclosed.

Schedules forming part of the Consolidated accounts

20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)

11. Related Party Disclosures:

- i. Name of the related parties where control exists irrespective of whether transactions have occurred or not
Entities / Individuals owning directly or indirectly an interest in the voting power that gives them control
None
- ii. Names of the other related parties with whom transactions have taken place during the year
- a) **Key Managerial Personnel**
- | | |
|------------------------|-------------------------|
| Bankey Lal Choudhary | Managing Director |
| Shyam Sundar Choudhary | Executive Director |
| Vijay Kumar Choudhary | Executive Director |
| Anurag Choudhary | Chief Executive Officer |
| Amit Choudhary | President – Projects |
| Tushar Choudhary | President – Operations |
- b) **Enterprises over which Key Managerial Personnel have significant influence**
- Himadri Credit & Finance Ltd.
 - Himadri Dyes & Intermediates Ltd.
 - Himadri Coke & Petro Ltd
 - Himadri Industries Ltd.
 - AAT Techno-Info Ltd.
 - Sri Agro Himghar Ltd
 - Himadri e-Carbon Ltd.

Transactions carried out with related parties referred to in above, in the ordinary course of business, are as under:

	<i>(Rs. in Lacs)</i>	
	2007-08	2006-07
Parties referred to in ii(a) above		
Remuneration paid	46.80	46.80
Dividend Paid	147.97	369.93
Parties referred to in ii(b) above		
Repayment of Loan	150.00	150.00
Interest Paid on Loan	155.25	173.25
Interest provided on Debentures	283.07	252.32
Payment of Lease Rent	0.18	0.18
Dividend Paid	127.36	312.84
Deposit against Share Warrants	1,010.50	19.55
Equity Shares Issued	-	3,438.75
Sale of shares (held as investment)	172.73	-
Balance at Year-end		
Loans Taken	1,200.00	1350.00
Deep Discount Debentures	2,606.42	2323.35
Deposit against Share Warrants	1,030.05	19.55
Investments	199.99	273.49

Schedules forming part of the Consolidated accounts

20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd...)**12. Earnings per Share (EPS):**

		Year ended 31.03.2008	Year ended 31.03.2007
Net Profit for the year attributable to equity shareholders: (Rs. in lacs)	(a)	8291.32	6,154.90
Weighted average number of Equity Shares of Rs.10 each outstanding during the period:	(b)	3,15,11,257	2,74,96,189
Add: Dilutive effect of issue of shares on exercise of warrants	(c)	11,11,847	1,12,479
Number of shares considered as weighted average shares and potential shares outstanding for calculation of diluted EPS	(d) = (b) + (c)	3,26,23,104	2,76,08,668
Earnings Per Share(Rs.):			
Basic	(e) = (a) / (b)	26.31	22.38
Diluted	(f) = (a) / (d)	25.42	22.29

13. Deferred Tax:

The components of Deferred Tax liabilities / assets are as under:

	(Rs. in Lacs)	
	As at 31.03.2008	As at 31.03.2007
Components of Deferred Tax Liability		
Depreciation	1,673.67	1,241.01
Components of Deferred Tax Assets		
Unabsorbed Capital Loss	44.72	77.19
Net Deferred Tax Liability	1,628.95	1,163.82

14. No Forward contracts/ hedging instruments are outstanding at the Balance Sheet date. Particulars of unhedged foreign currency exposure as at 31.03.08 are as follows:

	Currency	2007-08	2006-07
a) Amounts payable in foreign currency	USD	98.39 lacs	42.76 lacs
	EURO	-	32.98 lacs
b) Amounts receivable in foreign currency	USD	83.57 lacs	12.62 lacs

15. Previous year's figures have been re-grouped / re-arranged wherever considered necessary. The previous year's figures may, therefore, be different from audited figures for the year ended 31st March, 2007, and hence not comparable. Previous year was the first year of consolidation hence cash flow statement for the previous year was not prepared. Accordingly there is no figure for the corresponding previous year in the cash flow statement.

Signature to Schedules 1 to 20

As per our report of even date

For **S. Jaykishan**

Chartered Accountants

B. K. Newatia

Partner

Membership No.: 050251

B. L. Sharma

Company Secretary

S. S. Choudhary

Director

B. L. Choudhary

Managing Director

Place: Kolkata

Dated : 16th June, 2008

**Coming together is a beginning;
keeping together is progress;
working together is success.**

Henry Ford



HIMADRI CHEMICALS & INDUSTRIES LIMITED

Regd. Office: 23-A, Netaji Subhas Road, 8th floor, Kolkata- 700 001

Notice

NOTICE is hereby given that the 20th Annual General Meeting of Himadri Chemicals & Industries Limited will be held at Kala-Mandir, 48 Shakespeare Sarani, Kolkata - 700017 on Friday the 26th September, 2008 at 2.00 pm to transact the following business:-

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2008 and the Profit and Loss Account for the year ended on that date, together with the report of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Damodar Prasad Choudhary, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Sushil Kumar Saraf, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint auditors and fix their remuneration.

Special Business

Item No. 6

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

"RESOLVED that pursuant to Section 94 and all other applicable provisions of the Companies Act, 1956, the Authorized Share Capital of the Company be increased from Rs.40,00,00,000/- (Rupees Forty Crores) divided into 4,00,00,000 (Four Crores) equity shares of Rs.10/- each to Rs.50,00,00,000/- (Rupees Fifty Crores) divided into 5,00,00,000 (Five Crores) equity shares of Rs.10/- each by creation of further 1,00,00,000 (One Crore) Equity shares of Rs.10/- each.

RESOLVED further that pursuant to Section 16 and other applicable provisions of the Companies Act, 1956, (including any statutory modifications or re-enactments thereof, for the time being in force) the Clause V of the Memorandum of Association of the Company be and is hereby altered and substituted as follows:

- V. The Authorised Share Capital of the Company is Rs.50,00,00,000/- (Rupees Fifty Crores) divided into 5,00,00,000 (Five Crores) Equity Shares of Rs.10/- each with the rights, and privileges attaching thereto as are provided by the Articles of Association of the Company for the time being with power to increase or reduce the Capital in accordance with the Company's regulation and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the capital for the time being into Equity Shares Capital and

Preference Share Capital, and to attach thereto respectively, and preferential, qualified or special rights, privileges or conditions as may be determined by, or in accordance with the privileges or conditions as may be determined by or in accordance with the provisions of the Companies Act, 1956 and the regulations of the Company and to vary or modify or abrogate and such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company".

Item No. 7

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

"RESOLVED THAT pursuant to section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment(s) thereto or modification(s) or re-enactment(s) thereof) (hereinafter referred to as "the Act") and subject to the relevant provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the company are listed and subject to the regulations/guidelines, if any, and subject to any necessary approval, consent, permission and/ or sanction of the Government of India, Reserve Bank of India, The Securities and Exchange Board of India and/ or any other appropriate authorities, institutions or bodies and clarifications thereon issued from time to time, if any, and subject to all such statutory, regulatory and government approvals, permissions or sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting any such approval, consent, permission or sanction, which may be agreed to by the Board of Directors or any committee thereof (hereinafter referred to as the "Board"), the Board be and is hereby authorized on behalf of the Company to create, issue and allot, in the course of domestic/ international offerings in one or more tranches to Domestic/ Foreign Investors, Foreign Institutional Investors, Non-Residents Indians, Companies or Bodies Corporate whether incorporated in India or abroad, QIB, Trusts, Mutual Funds, Banks, Insurance Companies, Pension Funds, Individuals and/or Trustees and/or Stabilization Agents or otherwise, whether shareholders of the Company or not, through a public issue and/or on a private placement basis, equity shares and/or equity shares through Depository Receipts, and/ or Foreign Currency Convertible Bond (FCCB) / and or any form of Equity and Equity Linked offerings, convertible into equity shares at the option of the Company and/or holders of the securities and/or securities linked to equity shares or securities with warrants including

any instruments or securities representing either Equity Shares or foreign currency convertible bonds or convertible securities or securities linked to equity shares or securities with warrants (hereinafter collectively referred to as "Securities") secured or unsecured, through Prospectus and/or offer letter and/or circular basis or so, up to an aggregate amount not exceeding US\$ 500 million, including a right to the Board to retain for additional allotment up to 15% in each tranche as the Board may deem fit, at such price or prices, in such manner and where necessary in consultation with the Lead Managers and/or Underwriters and/or Stabilization Agents and/or other Advisors or otherwise, on such terms and conditions as the Board, may, in its absolute discretion decide at the time of issue and allotment of securities.

FURTHER RESOLVED THAT for the purpose of giving effect to any creation, issue, offer or allotment of equity shares or securities or instruments representing the same, as described herein, the Board be and is hereby authorised, on behalf of the company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, the entering into agreements for managing, underwriting, marketing, listing, trading, acting as depository, custodian, registrar, paying and conversion agent, trustee and to issue any offer document(s) and sign all applications, filing, deeds, documents and writings and to pay any fees, commissions, remuneration, expenses relating thereto and with power on behalf of the Company to settle all questions, difficulties or doubts, that may arise in regard to such issue(s) or allotment(s) as it may, in its absolute discretion deem fit.

FURTHER RESOLVED THAT the Company and/or any agency or body authorised by the Company may issue Depository Receipts representing the underlying securities issued by the Company in negotiable, registered or bearer form with such features and attributes as are prevalent in international capital market for instruments of this nature and to provide for the tradability or free transferability thereof as per the international practices and regulations (including listing on one or more stock exchanges inside or outside India) and under the forms and practices prevalent in the international markets.

FURTHER RESOLVED THAT the securities issued as above shall be deemed to have been made abroad in the market and/or at the place of issue of the security in the international market and shall be governed by laws of host country.

FURTHER RESOLVED THAT the Board be and is hereby authorized to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any securities referred to in paragraph(s) above or as may be necessary in accordance with the terms of the offer, all such shares ranking in all respect pari-passu inter se with the then existing equity shares of the Company in all respect."

By Order of the Board of Directors

Sd/-

B.L. Sharma

Company Secretary

Date: 16th June, 2008

Place: Kolkata

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of special business to be transacted at the ensuing Annual General Meeting under item No. 6 & 7 are annexed hereto and forms part of the Notice.
3. The Register of Members and Share Transfer Books of the company will remain closed from 20th September, 2008 to 27th September, 2008 (both days inclusive) for the purpose of Annual General Meeting and payment of dividend.
4. The Dividend on shares, if declared, will be paid to those members whose names appear on the register of members as on 27th September, 2008 and dividend in respect of shares held in the electronic form will be paid to the beneficial owners of shares whose names appear in the list furnished by the Depositories for this purpose at the close of the business hours on 19th September, 2008 (as on the previous day of the start of book closing).
5. Members are requested to intimate change in their registered address, if any, to the Company's Registrar & Share Transfer Agents M/s S.K. Computers, 34/1A, Sudhir Chatterjee Street, Kolkata- 700006 in case the shares are held in physical form and to the Depository Participant (D/P) in case of shares are held in electronic form.
6. Members who have not yet en-cashed their dividend for the financial year 2004-05, 2005-06 and 2006-07 are requested to make their claims with the Company. All the monies towards unpaid/unclaimed dividend are lying in a separate banking account of the Company.

Members are hereby informed that upon expiry of seven years from the date of declaration of dividend, the amount of unpaid dividend if any, will be transferred to the credit of the Investor Education and Protection Fund established by the Central Government in terms of Section 205C(2)(a) of the Companies Act, 1956.

7. Bank Mandate for Dividend or Electronic Clearance Services (ECS):

- i) In order to protect the investors from fraudulent encashment of the warrants, the members holding shares in physical form are requested to furnish their Bank Account No. (SB/ CA), the name of the Bank and the address of the branch where they like to deposit the Dividend Warrants for encashment. These particulars will be printed on the warrants, besides the name of the payee so that the dividend warrants can not be en-cashed by any person other than the shareholder. These details should be furnished by the First/Sole shareholders, directly to the company's Share Transfer Agents quoting their Folio Number and number of shares held.
- ii) The Securities & Exchange Board of India (SEBI) has made it mandatory for all Companies to use the Bank account details furnished by the Depositories for the remittance of Dividend through Electronic Clearing Services (ECS) to investors where ECS and Bank details are available. Therefore members are requested to give instructions regarding Bank Account in which they wish to receive dividend directly through their Depository Participant (D/P).

The Company will not entertain any direct request from such members for deletion of/or change in such bank particulars.

8. Shareholders desiring any information as regards the Annual Accounts are requested to write to the company in advance so as to enable the management to keep the information readily available at the meeting.
9. Members are requested to intimate to the Company's Registrar and Share Transfer Agent about consolidation of folios, if shareholdings are in multiple folios and bring copies of the Annual Report and the attendance slips with them at the Annual General Meeting.
10. Members are informed that it is advantageous to keep the shareholding in joint names, as upon death of a member, the survivor or survivors, where the member was a joint holder, and his legal representatives where he was a sole holder, shall be the only persons recognised by the Company as having any title to his interest in the shares.
11. Members holding shares in physical form may avail the facility of nomination in terms of Section 109A of the Companies Act, 1956, by submitting the Form No: 2B. The nomination form can be obtained from the Company/Share Transfer Agents.
12. Disclosure pursuant to clause 49 of the Listing Agreement with respect to Directors seeking appointment/re-appointment at forthcoming Annual General Meeting is given in the annexure:

Annexure to the Notice

Details of the Directors seeking appointment/ re-appointment in forthcoming Annual General Meeting (Pursuant to clause 49 of the Listing Agreements)

Name of Director	Mr. D.P. Choudhary	Mr. S. K. Saraf
Date of Birth	19.06.1940	25.04.1952
Date of Appointment	28.07.1987	26.08.2000
Qualifications	B.A.	B. Com
Experience	An Industrialist with rich business experience in Chemicals and allied products. He is a promoter Directors of the company and associated since incorporation.	He is non-executive independent director having vast experience in Accounts and Finance and he is a member of the Audit Committee of the the Company.
Directorship in other Companies	1. Himadri Coke & Petro Limited 2. Himadri Industries Limited 3. Himadri Dyes & Intermediates Limited 4. Sri. Agro Himghar Limited	NIL
Chairman/ Member of the committee of Board of other Companies	NIL	NIL

By Order of the Board of Directors

Date: 16th June, 2008
Place: Kolkata

Sd/
B.L. Sharma
Company Secretary

Explanatory Statement

[Pursuant to Section 173(2) of the Companies Act, 1956]

Item No. 6

The existing Authorised Share Capital of the Company presently stands at Rs.40,00,00,000/- divided into 4,00,00,000 Equity shares of Rs.10/- each. In order to give effect of various on going expansion projects and allot further shares upon conversion of warrants and other securities, it is desirable to bring the Authorised capital of the company in proper correlation with Company's magnitude, resources and size of its undertaking. It is therefore, considered advisable to increase the Authorised Capital of the Company from Rs.40,00,00,000/- to Rs.50,00,00,000/- by creation of 100,00,000 Equity shares of Rs.10/- each, which shall rank pari-passu in all respect with the existing equity shares in the Company. The proposed increase of Authorised Capital of the company requires the approval of the members in general meeting.

Consequent upon the increase in the Authorised Share Capital of the Company, the Clause V of the Memorandum of Association will require alteration so as to reflect the increase in share capital. The consent of the members is being sought in accordance with the provisions of Section 16 and 94 of the Companies Act, 1956. Your directors recommend the adoption of this resolution in the interest of the company. None of the directors of the company is in any way concerned or interested in this resolution.

A copy of the Memorandum and Articles of Association of the Company is available for inspection at the registered office of the company during business hours in between 10.00 am. to 12.00 noon on any working day, up to the date of annual general meeting.

Item No. 7

The Company with a view to augment the long term funds required for working capital for its' various on going expansions and to part financing the future growth plans, has proposed to raise fund through issue of securities in international market.

Pursuant to Section 81(1A) of the Companies Act, 1956 and the Listing Agreements of the Stock Exchanges, where it is proposed to increase the subscribed capital of a company by further issue of and allotment of shares, such shares need to be offered to the existing shareholders in the manner laid down in the said section unless the shareholders decide otherwise in a general meeting by passing a special resolution.

The consent of the shareholders, is therefore being sought authorising the Board to raise additional capital by further issue of securities in the form of Foreign Currency Convertible Bond (FCCB) for an aggregate amount not exceeding US \$ 500 million including a right to the Board to retain for additional allotment such amount of subscription not exceeding 15 % of the amount offered in each tranche as the Board may deem fit, at such price or prices, in such manner or on such terms as the Board may deem fit.

None of the Directors of the Company is concerned or interested in the proposed resolution except to the extent of his/her holding of equity shares and to the extent of his/ her subscribing to equity shares if and when issued as also to the extent of subscription by a financial institution/ company/body corporate in which the Director or his relative may be directly or indirectly interested.

Since the resolution passed by the shareholders at the last AGM held on 26th September, 2006 could not be acted upon, the Board of Directors recommend the passing of this resolution in the interest of the company.

By Order of the Board of Directors

Date: 16th June, 2008
Place: Kolkata

Sd/-
B.L. Sharma
Company Secretary

Corporate information

Board of Directors

- Mr. Damodar Prasad Choudhary** – Chairman
Mr. Shyam Sundar Choudhary – Executive Director
Mr. Bankey Lal Choudhary – Managing Director
Mr. Vijay Kumar Choudhary – Executive Director
Mr. Ajay Relan – Nominee of Citigroup Venture Capital International Growth Partnership Mauritius Ltd.
Mr. S.K.S. Narayan – Non-Executive Independent Director
Mr. S.K. Banerjee – Non-Executive Independent Director
Mr. S.K. Goenka – Non-Executive Independent Director
Mr. S.K. Saraf – Non-Executive Independent Director

Senior Management Team

- Mr. Anurag Choudhary** – CEO
Mr. Amit Choudhary – President, Projects
Mr. Tushar Choudhary – President, Operations
Mr. Rene Genin – Director, Technical
Dr. Soumen Chakraborty – President, Overseas Projects
Dr. C.R. Natrajan – President, R&D

Bankers

- Central Bank of India
Citi Bank, N.A.
State Bank of India
The Hongkong & Shanghai Banking Corporation Ltd.
Yes Bank Ltd.

Registrar & Share Transfer Agents

- M/s. S.K. Computers
34/1A, Sudhir Chatterjee Street
Kolkata 700 006
Tel: (033) 2219 6797/ 4815
E-mail: agarwalskc@rediffmail.com

Registered Office

- Fortuna Tower
23-A, Netaji Subhas Road
8th Floor, Kolkata 700 001
Tel: (033) 2230-4363/ 9953
Fax: 91-033- 2230-9051
E-mail: info@himadri.com

Auditors

- M/s S. Jaykishan
Chartered Accountants
12 Ho-Chi Minh Sarani
Suite No. 2D- 2F, 2nd Floor
Kolkata 700 071

Company Secretary & Compliance officer

- Mr. B.L. Sharma

Solicitors & Advocates

- M/s Sandip Agarwal & Co.
10 Old Post Office Street
Gr. Floor, Room No. 10
Kolkata 700 001

Works

- Unit No.1
58 N.S. Road, Liluah, Howrah (W.B.)
Unit No.2
27B Gadadhar Bhatt Road, Liluah, Howrah (W.B.)
Mahistikry Unit
Mahistikry, P.S. – Haripal
District Hooghly (W.B.)
Visakhapatnam Unit
Ancillary Industrial Estate
Visakhapatnam (A.P.)
Korba, Chhattishgarh

A TRISYS PRODUCT

info@trisyscom.com

printed at anderson (info@andersonindia.com)



Himadri Chemicals & Industries Limited