Kanoria Chemicals & Industries Limited

Chemistry of values and of value additions

Annual Report
2010-11

Kanoria Chemicals & Industries Limited

COMPANY SECRETARY
N.K. Sethia

AUDITORS
Singhi & Co.
Chartered Accountants
1-B, Old Post Office Street
Kolkata - 700 001

BANKERS
Allahabad Bank
UCO Bank

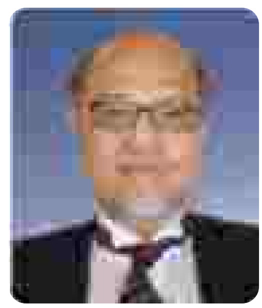
REGISTERED OFFICE
'Park Plaza'
71, Park Street
Kolkata - 700 016

Board of Directors

R V Kanoria

H K Khaitan

Amitav Kothari



Ravinder Nath

G Parthasarathy

S L Rao

B D Sureka

A Vellayan

J P Sonthalia

T D Bahety

Table of Contents

Chairman's Statement

The global economy continues to remain in a flux with no signs of getting out of the sluggishness caused by the slowdown in 2009. While a series of stimulus packages in the United States and Japan had taken the growth trajectory close to the pre-crisis levels, the momentum has weakened since middle of 2010 and is predicted to remain modest at best till 2012. Much of this drag in growth is caused by imbalances as a result of sluggish developed economies and significant increase in net private capital flows into the developing ones. Volatility in exchange rate and commodity prices and unemployment levels are manifestations of the situation. The world will continue to look towards the developing countries to prop up global economic growth.

The past year was marked by important developments that are expected to have long term impact. The economic uncertainties were compounded by the continuing tension in North Africa and the Middle East against the monarchy and authoritarian regime.

The massive devastation caused in Japan by the earthquake and tsunami in March 2011 has already sent ripples across the globe with many economies directly or indirectly getting adversely affected. More importantly the spectre of nuclear fallout has raised questions about safety, especially in countries like India that have energy shortfalls and future plans of greater reliance on nuclear power.

In a period of turmoil and volatility, both developed and developing countries need rule based frameworks for conducting business. Differences continue to hamper development in this respect such as the future course of the WTO remaining in limbo. Political will for concluding the Doha agenda is lacking and domestic issues override priorities for multilateral rule based trading systems. After years of hard work, it is important not to miss the 2011 timeline and the Doha talks must succeed to ensure the viability of rule-based multilateral trading system. Failure to do so could lead to national governments to seek other means to approach trade and investment. Some may pursue protectionist measures impeding flow of import into their markets; others will focus more on bilateral and regional trade agreements. This would result in a proliferation of rules and business confusion - a veritable 'spaghetti bowl'. The Dispute Settlement mechanism could come under strain with the WTO having to resort more to adjudication rather than negotiation. There is also a need for a regulatory body to monitor exchange rate fluctuations and cross border flow of capital.

In the Indian context, the fiscal 2010-11 witnessed high inflation and the perennial debate on balancing economic growth with rising prices. Monetary policy is being used to keep a control on inflation. The tight money policy of the Reserve Bank of India, however, has led to a slowdown in investments, and thus a check on growth. Unless there is growth stimulus, we will face supply constraints 2-3 years from now. The monetary policy is therefore only a temporary solution, if at all.

Currently inflation is more pronounced in primary commodities. Lack of growth impetus may widen the impact on other areas. There is an urgent need to stimulate incentivised investments. The policy must enhance availability of inexpensive funds for expansion and growth. At the same time there is a need for review of the Minimum Alternate Tax (MAT) and the Dividend Distribution Tax (DDT) that discourage investment. The policy should also reconsider introduction of Investment Allowance and other measures that provide a fillip to investment.

Double digit inflation, firming interest rates and a slowdown in the manufacturing sector can significantly impact economic well being of the country in the coming months. The supply side factors need close scrutiny. Rising input costs for industry because of inadequate transportation and other physical infrastructure need urgent redress. In this connection, the focus on supply in the 12th Plan approach paper is heartening and may lead to a mechanism that enables a more comprehensive check on prices. The question is whether we have the time to wait that long.

A particularly worrying trend is the slowdown in the manufacturing sector which is plagued with rising input costs. The larger issue of fiscal integration and removal of the plethora of local and state taxes continue to hamper growth. The sector's capability to create employment and leveraging opportunities in world trade remain constrained. Rapid implementation of the Goods & Services Tax (GST) is particularly important. With a political deadlock on several issues on the reforms agenda, the progress on GST has slowed down considerably. The

Government has recently introduced a Constitutional Amendment Bill in the Parliament to pave the way for GST. In its present form, however, the proposals are general in nature and sometimes miss the spirit behind such a move. Key sectors such as petroleum, real estate and electricity that have extensive forward linkages and costs have been kept in abeyance. There is also no clear indication on how the local and state levies would be eliminated or reconciled.

The recently announced national manufacturing policy seeks to increase the share of manufacturing sector to 25% of GDP in fifteen years from the current share of about 16%. This certainly is a welcome step with desirable objectives. Several steps have been enunciated in the policy such as the creation of National Investment & Manufacturing Zones and flexibility in labour laws. Much, however, would depend on the spirit, pace and depth of implementation, which can only be facilitated by a consensual political environment.

Although a comprehensive manufacturing policy is just what India needs, the underlying objective has to be raising the competitiveness of the sector. There are several fundamental reforms that are needed for such a policy to be effective. The first and the foremost is adequate infrastructure. Shortfalls in areas such as roads, ports, airports and other logistics, availability of electricity, suitable guidelines for land acquisition and water supply have acted as a drag on the growth of manufacturing. While India has developed a commendable virtual infrastructure with development of the telecommunication sector, creation of physical infrastructure has remained limited and has failed to keep pace with the economic growth in the past two decades.

A manufacturing policy would remain incomplete if the role of private sector is not factored in. Resource requirement for leapfrogging in manufacturing capability has to be kept in perspective. Development finance institutions in the country have given way to universal banking and affordable funds to private sector are difficult to come by. Reforms in the pension and insurance sectors that free up locked funds are imperative in this context.

Efficiency of the manufacturing sector depends a great deal on energy security and availability. There have been large distortions by way of subsidising the energy needs of agriculture with the burden passed on to industry. The approach in this direction needs urgent review and the new manufacturing policy does not mention a possible solution in this respect.

The new manufacturing policy needs to be juxtaposed with labour reforms that provide greater flexibility in the movement of skilled labour. This has to be beyond just an Exit policy. With the labour force attaining higher levels of literacy, the labour policy has to shed its rigidities based on subsistence and move on towards facilitating higher productivity and wider skill base. Legislation such as Payment of Wages Act and the Bonus Act therefore need review.

The Government must relinquish ennui and shift the focus from the current negative feeling to a positive one through bold initiatives, without getting bogged down with an outcry of corruption or a demand for partisan populist policies.

The year gone by has been an eventful one for us. Although not strictly pertaining to the year under review, in April 2011 the Company entered into an agreement with Aditya Birla Chemicals (India) Limited, a part of the Aditya Birla Group and a subsidiary of Hindalco Industries Limited, for divesting its Chloro Chemicals business. The transaction by way of a slump sale at a value of Rs. 830 crore was concluded on 23 May 2011. The divestment allows us to move in other areas including higher value added products.

The Company also exited from the joint venture with Soluciones Extractivas Alimentarias of Spain where it was a minority shareholder.

Our Greenfield project at Vizag in Andhra Pradesh commenced production of Formaldehyde in the month of December 2010. Activities are going according to plan and production is stable. Meanwhile we are developing new markets and remain optimistic about the future of our Vizag operations. The addition of capacity consolidates the Company's leadership position as a Formaldehyde manufacturer in India.

The new R&D Centre at Ankleshwar is expected to provide a major fillip to developing downstream products, as well as other fine chemicals. Apart from creating an in-house repository of products and processes, the Centre is expected to become a net revenue generator through outsourcing its services.

The Company has always laid stress on alternative forms of energy. The biogas energy generated from distillery effluents at our Ankleshwar plant under the highly successful 'Waste to Wealth' programme has received wide recognition. KCI has plans to enter the renewable energy segment especially in solar power generation. It has made some initial progress in this direction and we hope to strengthen our endeavours in this area in the days to come.

At KCI we are currently in an active mode to chalk out future business strategy. The commissioning of our Vizag facility provides us a strong avenue for forward integration and setting up capacities for production of downstream products. I believe that this along with opportunities in other value added products including fine and speciality chemicals would steer the company in the next decade.

After an eventful year, the Company is now poised to enter the next growth phase. We are confident that our successful operations in the last five decades and the recent business restructuring post our divestment of the Chloro Chemicals business would provide us with greater focus. I would like to thank all our stakeholders for not only making this journey possible but also making it meaningful and satisfying. I look forward to your continued support.

R V Kanoria
Chairman & Managing Director

Over the years …

We at Kanoria Chemicals & Industries Limited (KCI) believe that excellence is a continuous process. The process includes consolidating the strengths that the Company has developed over the years, as well as leveraging external opportunities.

A vital component of this growth has been the Company's policies on sustainability and transparency. As stated in the Company's Vision Statement (See next page), KCI adheres to best practices in corporate governance and environment management. KCI's environment management practices have been recognized by way of several awards (See below) including the coveted TERI Award for Corporate Excellence in Environment Management.

Investing in the best available technology is yet another pillar in the framework of the Company's growth strategy. This has not only provided a competitive edge in terms of product quality, but has also facilitated good manufacturing practices. The latest addition in this sphere is the high technology Formaldehyde plant at Vizag in the state of Andhra Pradesh that was commissioned during the year.

As a result of this strategy, the Company is not only one of the lowest cost manufacturers in the country, but one of the most environment friendly companies in the industry as well. Despite its modest size, KCI currently is a market leader in India in three of the several products it manufactures, namely Pentaerythritol, Hexamine and Formaldehyde.

Innovation and the willingness to learn from past mistakes have made the Company industry leaders and a pioneer in many areas. A notable example of these attributes is the Company's 'Waste to Wealth' programme run at its Alco Chemicals Division at Ankleshwar in Gujarat. The programme is based on the treatment of distillery effluent in a three pronged approach. First the water content is extracted thorough a reverse osmosis process that was deployed for such an application for the first time in the country. In the second phase, anaerobic reaction releases biogas which is directly used to generate up to 2 MW of electricity. Finally, the remaining sludge is dried and treated to make it into nutritional organic manure.

Sustainable development, ethical business practices, transparency of operations, sensitivity towards protecting the environment and catalysing growth in the community are cherished objectives that have stood the Company in good stead over the past decades. The 'beyond business' initiatives of the Company have enriched KCI's technology and manufacturing capability along with generating goodwill of all business associates.

KCI is now poised towards further expansion and leveraging new growth opportunities to consolidate its strong position in the Indian industry. In the months ahead intense activity is anticipated that would drive KCI to the next growth level.

Awards received by KCI

- ICMA Award for Water Resource Management
- ICMA D.M. Trivedi Award for Introducing Advancement in Technology having a Widespread Impact on Chemical Industry
- TERI Award for Corporate Excellence in Environment Management
- World Environment Foundation Golden Peacock Award for Environment Management and Eco-Innovation
- Gold Award for Outstanding Achievement in Environment Management in Chemicals Sector by the Greentech Foundation
- National Award for Flyash Utilization by Department of Science & Technology, Ministry of Power and Ministry of Environment & Forests, Government of India
- ICC Award for Social Responsibility by the Indian Chemical Council (ICC)

The KCI

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

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

The Year in Review

The year 2010-11 witnessed strong inflationary pressures and a tight monetary policy. This has created a negative impact on growth, particularly in the manufacturing sector.

KCI, however, forged ahead with its investment commitments and its Greenfield project at Vizag in Andhra Pradesh for manufacture of Formaldehyde and Hexamine. Commercial production of Formaldehyde started in January 2011. Progress in on schedule and new markets are being currently developed. The capacity addition in Formaldehyde production strengthens KCI's leadership position in the country.

In line with the Company's continuous focus on technology and for strengthening its research and development base, an R&D Centre was set up during the year at KCI's Alco Chemicals facility at Ankleshwar. The Centre is envisaged to provide necessary testing and is to be equipped with synthesis and analytical facilities. It is also expected to impart vital capability in product and process development and act as a facilitator for forward integration of the Company's present business through new downstream derivatives. The Centre is also expected to soon develop capability of pilot plant facility for scale up and initial supply, as well as HAZOP study for safe processes.

Although the development took place after the year in review, KCI divested its Chloro Chemicals business to Aditya Birla Chemicals (India) Limited by way of a slump sale. After five decades of profitable operations, the Company decided to diversify in higher value added products including fine and speciality chemicals.

KCI also exited the joint venture with Soluciones Extractivas Alimentarias S.L.A., Spain where it was a minority shareholder, to consolidate its core business experience.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Performance with respect to Operational Performance

During the year under review, the Net Sales increased by 15.2% at Rs. 4,852 million as compared to Rs. 4,212 million in the previous year. The export sales at Rs. 466 million contributed to 9.6% of the Net Sales. The PBDIT was marginally lower at Rs. 859 million as against Rs. 877 million in the previous year. The operating margin, however, reduced from 20.8% to 17.7% mainly due to higher input costs, both in respect of materials consumed and fuel used in generating electricity. The materials costs were 42.7% as against 40.3% of Net Sales in the previous year.

The Net Profit was lower at Rs. 170 million as against Rs. 280 million in the previous year which included a large amount of Rs. 143 million towards uncrystallised foreign exchange rate difference on FCCBs and premium thereon. As a result the Basic EPS was lower at Rs. 3.02 as against Rs. 4.97 per equity share in the previous year. The Company has recommended a dividend of 100% on the equity capital.

The Company made fresh capital expenditure of Rs. 701 million during the year mainly towards setting up of a Greenfield project at Vishakhapatnam. As a result the total loan funds increased to Rs. 3,785 million as compared to Rs. 3,153 million as at the close of previous year. The long term debt to equity ratio, considering FCCBs as debt, stood comfortably at 1.34 as at the close of current financial year.

Chloro Chemicals Segment

Industry structure and development

- The Chlor Alkalis business segment includes the production of Caustic Soda and Chlorine. The Division is forward integrated for producing various Chlorine derivatives. The products cater to a wide range of user industries.

Opportunities

- Caustic Soda is widely used in industries such as aluminium, paper, textiles, soaps & detergents, petroleum refining and pharmaceuticals. This ensures a steady demand for the product even if a few of the user industries witness stagnant growth.

Threats

- Cheaper imports and increasing input costs could distort markets and margins.

- Excessive environmental activism could impact the usage of Chlorine in downstream products.

Performance

- Operations of the Chloro Chemicals segment remained stable during 2010-11. Though there was a dip in Caustic Soda production, higher production of other products and better realizations propped up the segment revenue from Rs. 389 crore in 2009-10 to Rs. 426 crore in 2010-11.

Outlook

Considering that at the time of writing this report, the Chloro Chemicals business of the Company had already been divested to Aditya Birla Chemicals (India) Limited, commenting on the outlook of the business is considered inappropriate for KCI.

Alco Chemicals Segment

Industry structure and development

- The Alco Chemicals Division located at Ankleshwar, Gujarat comprises the production of ethanol from molasses and Formaldehyde from methanol, which is further synthesized into several products for industrial applications. These products include Pentaerythritol, Sodium Formate, Acetaldehyde, Hexamine and others. KCI's new Greenfield project at Vizag increases the Company's production capacity of Formaldehyde and Hexamine.

Opportunities

- Market leadership in several products provides the Division a competitive edge in the market.

- The highly integrated nature of the Division and the pioneering work it has done in treatment and recycling of distillery effluent and other waste enables it to sustain a low cost structure and thus makes the products of the Division competitive in both domestic and international markets. The Vizag plant supplements the Company's operations and also provides an important sea link from the Vizag and Gangavaram ports located close to the manufacturing facility.

- The Division is located in close proximity to both sources of raw materials as well as markets for finished products, thus positioning it strongly to cater to steady demand from its user industries such as paints, resins and laminates.

Threats

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

Performance

- The operations of the Alco Chemicals Division remained stable during the year. Production of Pentaerythritol during 2010-11 was 6,533 MT compared to 6,505 MT in the previous year. Production of Formaldehyde also improved and the Division produced 82,647 MT of Formaldehyde compared to 75,510 MT in the previous year.

Outlook

- Technological expertise and market leadership position in several products provides the Division a competitive edge in the market.
- Market leadership in Pentaerythritol and growth in demand from user industries such as inks and paints indicate a sustainable growth for the Division. Growth in automobiles and higher capacity creation in insecticides augur well for higher demand of Hexamine.
- Anti dumping action on some countries is expected to prevent cheaper imports driving down prices.
- Extensive backward and forward integration of products and processes, and the innovative use of waste ensure positive commercial impact.

CAPACITY EXPANSION DURING THE YEAR

KCI's Greenfield project in Vishakhapatnam for the production of 105,000 TPA of Formaldehyde was commissioned in December 2010. While the Formaldehyde plant has started commercial production, the current capacity utilization is about 50%. After the initial stabilization, the capacity utilization is expected to increase and the Company expects full utilization in the year 2012. Trial runs are under way for the 5,600 TPA Hexamine plant and commercial production is expected to start shortly.

INITIATIVES DURING THE YEAR

Chloro Chemicals

- Replacement of membranes and increased vigil on Rectiformer temperature resulted in improved productivity of the membrane cell plant.
- Production capacity at flaking plant enhanced by improving lye concentration
- Furnace oil consumption reduced by exclusively using pure hydrogen for all type of heating operations, and at the same time achieving reduced venting of Hydrogen.
- Higher production of Poly Aluminium Chloride 18 through sequence modification in process controllers.
- Reduction in Steam consumption in the Stable Bleaching Powder plant by utilizing jacket drain water from Chlorination drums.

- Dust nuisance in lime crushing and hydrated lime system was eliminated by way of installing a cyclone separator.
- Export of Aluminium Chloride in ISO tanks was successfully carried out.
- In the Power Generation division, savings in water and power was achieved by erecting a water recovery line.

Alco Chemicals

- Improvement in Pentaerythritol production after replacement of packing in Stripping Column.
- Improvement in Formaldehyde production by replacement of reactor with newly designed one.
- Reduction in steam consumption in Pentaerythritol production by 30% through a series of initiatives including efficient use of condensate.
- Improvement in power generation from back pressure turbine.
- New R&D Centre is being established at Ankleshwar for development of new products and the processes.

QUALITY ACCREDITATION AND OHSAS

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

SAFETY AND ENVIRONMENT

The Company continues to create grassroot level awareness on safety through the concept of Total Productive Maintenance (TPM).

KCI also continued its proactive practices in managing and protecting the environment in keeping with its core ethos of sustainable development. Control on wastage and recycling resources are integral parts of KCI's approach towards environment friendliness.

Of particular relevance in this respect is the Company's highly successful 'Waste to Wealth' programme. Treatment and handling of distillery effluents is a difficult process. KCI's Alco Chemicals Division at Ankleshwar has not only been able to employ effective technologies for treatment but has also been able to make it commercially viable. The programme is based on unified technology for productive utilisation of waste generated from manufacturing processes. The programme has three components, namely Waste to Water, Waste to Energy and Waste to Soil Nutrients.

RISKS AND CONCERNS

Currently, the Company perceives the following main business risks:

- Threat from imports and consequent pressure on domestic prices.

- Extreme volatility in prices of raw materials and other inputs.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

An adequate system of internal control is in place.

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

The key elements of the control system are:

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

HUMAN RESOURCE AND INDUSTRIAL RELATIONS

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

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

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

The number of persons permanently employed by the Company during the year was approximately 999.

Cautionary Statement

Statement in this 'Management Discussion and Analysis' describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations.

Beyond Business

KCI continues to focus on its initiatives as a socially responsible corporate citizen. It is not only sensitive to the needs typical of a chemicals manufacturing company in terms of managing the production, handling, storage and transportation of chemicals that have potential hazards associated, but it also maintains continuous vigil and undertakes measures that prevent pollutants from degrading nature. Without being limited to its manufacturing facilities alone, efforts of the Company are also directed towards the community around. Action in this area not only provides the Company a great deal of satisfaction and pride, but also leads to a stronger bridge with all its stakeholders.

Along with manufacturing good quality products by efficient processes, KCI's business ethos has evolved on the foundations of profitability and value creation for stakeholders, good corporate governance, preservation of environment and sustainable development and giving back to community and society. Please see box for the Company's Social Responsibility policy.

KCI adheres to best practices in corporate governance. The Company's disclosure policy is not limited to compliance on statutory requirements but goes beyond to build transparency around the objectives and actions of the Company.

ENVIRONMENT

Environment protection is a high priority objective of the Company. KCI's Alco Chemicals Division at Ankleshwar is accredited with ISO-14001 certification for Environment Management. The Division is also certified under OHSAS-18001 (Occupational Health & Safety Assessment Series). The Company's newly commissioned Greenfield project at Vizag is expected to receive these certifications soon.

KCI adopts the best available technologies for environment management as a part of its long term strategy. It has even pioneered the conceptualisation of new initiatives in water treatment and effluent disposal. The Company's highly

KCI Policy on Corporate Social Responsibility

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

CSR Mission

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

successful 'Waste to Wealth' programme at its Alco Chemicals Division at Ankleshwar, which includes extraction of water from distillery effluent, generation of power directly from biogas and manufacture of bio-compost is a case in point to the proactive approach of the Company in waste management. The Reverse Osmosis (RO) technology for treatment of distillery effluent pioneered by the Company in India has become an industry standard. Another initiative of the Company in this area is the utilization of flyash generated at its captive thermal power plants at Renukoot. By using bricks made from flyash, KCI has developed a low cost housing complex for contract workers.

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

COMMUNITY DEVELOPMENT

Much of the initiatives of the Company towards community development were undertaken at its Chloro Chemicals Division at Renukoot. With the divestment of this division, KCI's management control on different programmes stands diluted. The Company, however, continues to attach much importance and it is expected that new areas would be identified in the coming months. The activities during the year under review are briefly described in the following paragraphs.

A. Watershed Management

A highly effective and meaningful community outreach programme of the Company is in the area of watershed management. The programme was developed on the basis of an on-site needs assessment and was run in 22 villages within a 50 kilometres radius of Renukoot (District Sonebhadra, Uttar Pradesh).

The programme involves construction of check dams in identified villages in partnership with the local community and the village council. A total of 65 check dams have been constructed since the beginning of this programme in the year 2000. The shallow ponds created as a result of the check dams become a source of water round the year for both drinking and irrigation purposes. With improved availability of water, villagers can now grow up to three crops in a year on a land where no cropping was earlier possible. Irrigated area has increased from 60 acres to 1,780 acres since the programme was initiated a little over 10 years ago. This has not only created employment generation opportunities for farmers directly but also to ancillary service providers indirectly. Average earning per acre increased nearly five folds as a result of this initiative. During the year under review, 10 new check dams were constructed.

B. Education

The remoteness of the area around Renukoot and lack of education facilities prompted KCI to contribute in this area.

The Company extended support to the Bhavan's Kesari Devi Kanoria Vidya Mandir, a CBSE affiliated high school within the Company's Renukoot Township. The School provides quality education to over 1200 students.

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

1. Dakshinanchal Intermediate School in village Babhani that has about 550 students
2. Subh Gamini School in village Khairahi that has about 220 students
3. Mitra Mandal School at Kanoria Gaon that has 70 students, and
4. Naman Matribhumi School at village Majhauli that has over 400 students.

C. Employment Generating Programmes

The Company provided avenues for employment generating with a focus on nurturing traditional crafts and using locally available materials.

The Company's intervention in this area shifted away from the earlier practice of hands-on involvement. During the year under review, the Company supported 'training of trainers' to pave way for upgrading the skills of bamboo craftsmen and helping them train other people in their community. It also extended training facilities to local farmers in the area of organic farming. During the year, 75 farmers were covered under this training programme.

Under another programme, KCI organised training for village women in the traditional area of tailoring and embroidery. The Company also helped successful trainees in procuring sewing machines at subsidised rates to enable them to supplement household incomes and to become self-reliant. During the year, 38 sewing machines were facilitated.

To encourage villagers in greening of the area while at the same time supplementing their household income, KCI distributed 5,000 fruit saplings benefitting 520 persons.

D. Health & Family Welfare

KCI conducted 22 health camps during the year around its manufacturing locations benefitting nearly 4,000 villagers who normally do not have access to medical facilities in the near vicinity.

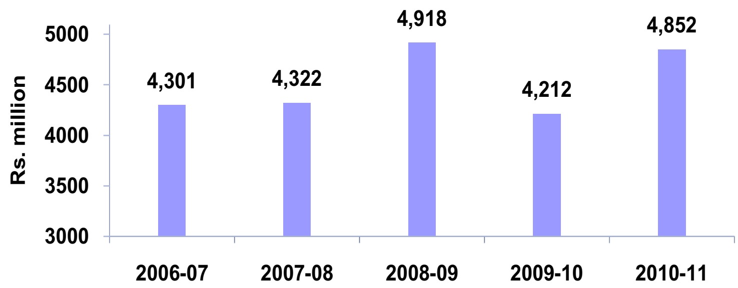
The Company partners NGOs and activists for creating widespread awareness about Polio & HIV/AIDS. KCI also conducts workshops and training programmes for creating awareness on the ills of female foeticide.

THE DECADE IN RETROSPECT - FINANCIAL HIGHLIGHTS

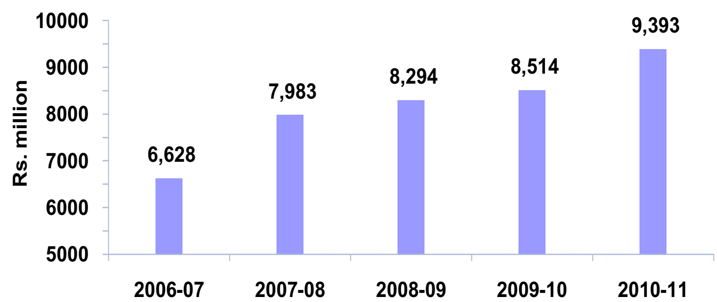
(Rupees in million)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
PROFITABILITY										
Net Sales	2,087.90	2,307.36	2,529.24	2,874.34	3,051.28	4,301.22	4,322.34	4,917.97	4,211.81	4,852.24
Profit before Interest, Depreciation& Tax	462.30	544.47	523.89	579.82	626.65	842.78	964.35	1,149.59	876.70	858.94
Profit before Depreciation & Tax	264.37	377.74	416.59	464.14	506.45	579.05	710.04	855.19	644.35	626.29
Profit before tax	89.38	161.29	252.32	279.52	302.76	287.30	395.21	228.79	387.94	214.40
Profit after Tax	70.81	127.17	197.97	226.58	263.56	195.03	305.01	146.01	279.75	169.79
BALANCE SHEET										
Net Block (incl. CWIP)	2,706.71	2,561.04	2,891.51	3,343.05	4,469.21	4,750.29	5,879.00	5,872.68	5,750.94	5,973.24
Investments	75.71	51.63	56.11	56.11	56.82	56.82	56.82	56.82	69.16	67.81
Net Current Assets	206.10	256.91	308.42	403.90	412.95	1,406.57	453.20	410.84	349.13	515.09
Capital Employed	**2,988.52**	**2,869.58**	**3,256.04**	**3,803.06**	**4,938.98**	**6,213.68**	**6,389.02**	**6,340.34**	**6,169.23**	**6,556.14**
Created out of :-										
Share Capital	267.34	267.34	237.34	197.34	167.34	167.34	281.50	281.50	281.50	281.50
Reserves & Surplus	1,149.81	1,197.68	1,325.00	1,444.04	1,648.26	1,777.42	2,051.00	2,039.75	2,169.51	1,951.45
Loan Funds	1,259.65	1,055.95	1,309.24	1,767.43	2,719.32	3,808.45	3,534.60	3,472.61	3,153.36	3,785.38
Deferred Tax Liability	326.70	348.61	384.46	394.25	404.06	460.47	521.92	546.48	564.86	537.81
Less : Miscellaneous Expenditure to the extent not written off or adjusted	(14.98)	-	-	-	-	-	-	-	-	-
	2,988.52	**2,869.58**	**3,256.04**	**3,803.06**	**4,938.98**	**6,213.68**	**6,389.02**	**6,340.34**	**6,169.23**	**6,556.14**
RATIOS										
OP Margin	22.14%	23.60%	20.71%	20.17%	20.54%	19.59%	22.31%	23.38%	20.82%	17.70%
NP Margin	3.39%	5.51%	7.83%	7.88%	8.64%	4.53%	7.06%	2.97%	6.64%	3.50%
Interest Coverage (Times)	2.34	3.27	4.88	5.01	5.21	3.20	3.79	3.90	3.77	3.69
Basic Earnings per Share (Rs.)	1.14	2.23	3.69	4.37	5.21	3.89	5.47	2.59	4.97	3.02
Equity Dividend	20%	25%	25%	30%	30%	30%	30%	30%	30%	100%
Book Value per Share (Rs.)	25.39	26.98	29.73	32.10	36.17	38.74	41.43	41.23	43.54	39.66
Debt Equity Ratio	0.76	0.59	0.70	0.96	1.38	1.61	1.15	1.37	1.06	1.34
Return on Capital Employed	9.61%	11.43%	11.04%	10.39%	8.56%	8.87%	10.17%	8.25%	10.05%	6.82%
Return on Net Worth	5.15%	8.74%	12.67%	13.80%	14.52%	10.03%	13.08%	6.29%	11.41%	7.60%

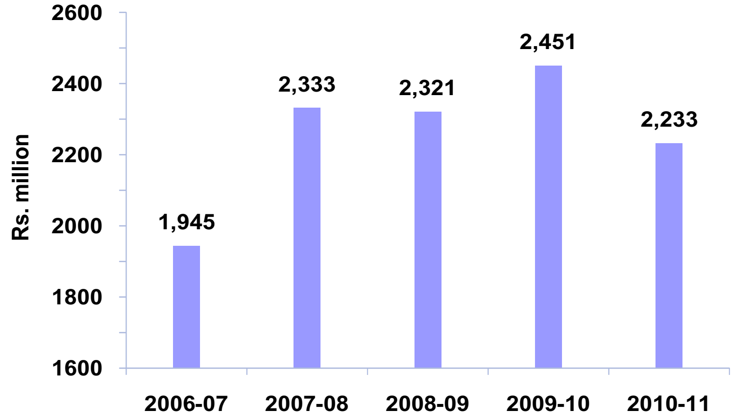
Net Sales



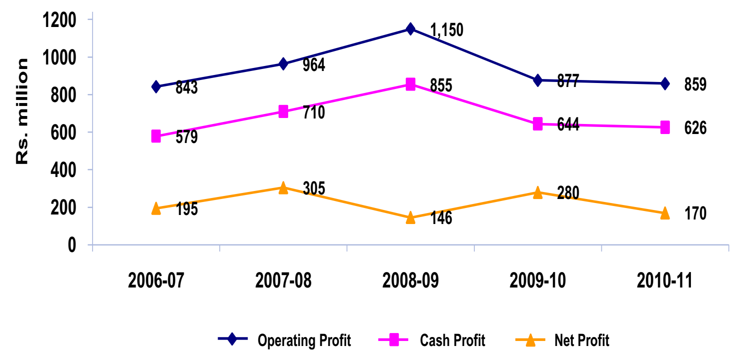
Gross Block



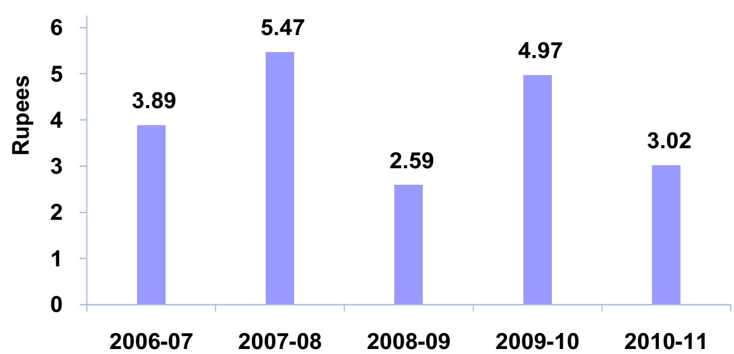
Equity Shareholders Fund



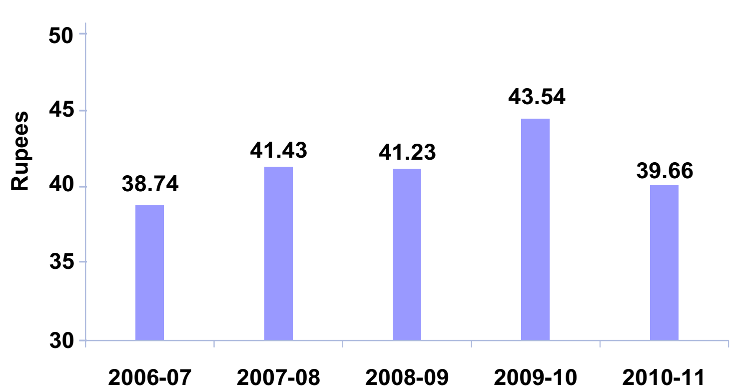
Operating, Cash & Net Profit



Earning per Share



Book Value per Share



Value

DIRECTORS' REPORT

TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the fifty-first Annual Report along with the Audited Accounts of the Company for the year ended 31st March 2011.

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

FINANCIAL HIGHLIGHTS - THE YEAR IN RETROSPECT

The net sales turnover of the Company during the year under review was Rs. 4,852.24 million, up 15.21% against Rs. 4,211.81 million in the previous year. The operating profit was Rs. 858.94 million compared to Rs 876.70 million in the previous period. The profit after tax was Rs. 169.79 million as against Rs. 279.75 million in the previous year.

WORKING RESULTS

(Rs. in million)

	2010-11	2009-10
Operating profit	858.94	876.70
Less: Interest & Finance Charges	232.65	232.35
Profit before Depreciation & Tax	626.29	644.35
Less: Depreciation & Amortisation	410.33	399.56
Profit before Exceptional Items & Tax	215.96	244.79
Exceptional Items	(1.56)	143.15
Profit before Tax	214.40	387.94
Add: Taxation for earlier years	-	0.71
Less: Provision for Taxation - Current	42.29	62.28
- Deferred	2.32	46.62
Net Profit	169.79	279.75
Add: Balance as per last account	268.41	231.87
	438.20	511.62
Appropriations		
Proposed Dividend on Equity Shares	281.48	84.44
Provision for Dividend Tax	45.21	8.77
Transfer to General Reserve	20.00	150.00
Balance carried to Balance Sheet	91.51	268.41
	438.20	511.62

OVERVIEW

During the year, the Company successfully commissioned 105,000 TPA Formaldehyde plant at Vishakhapatnam in the state of Andhra Pradesh. With this, the Company's total Formaldehyde manufacturing capacity increased from 75,000 TPA to 180,000 TPA. The 5,600 TPA Hexamine plant is expected to be commissioned by June 2011.

As you are aware, the Company has, inter alia, been operating in the Chloro Chemicals business for nearly five decades. In a move towards leveraging new opportunity areas and exiting from high volume, low value products, the Company, vide an Agreement dated 16th April 2011, has transferred its Chloro Chemicals Division, consisting of manufacturing plants situated at Renukoot, Uttar Pradesh and Salt Works at Gujarat, to Aditya Birla Chemicals (India) Limited, by way of slump sale at a mutually negotiated cash consideration of Rs. 8.30 billion. The sale has been approved by the shareholders of the Company through Postal Ballot Voting and the said Division stands transferred to Aditya Birla Chemicals (India) Limited from the closing of business hours on 23rd May 2011. The transaction would enable the Company to expand its other existing businesses as well as to look for opportunities in new and related businesses through both organic growth and acquisitions.

During the year, the Company exited from the Joint Venture, for setting up a flavours and fragrance manufacturing facility with Soluciones Extractivas Alimentarias S.L.A, Spain.

DIVIDEND

The Board of Directors recommends, for consideration of shareholders at the Annual General Meeting, a Dividend @ 100 % (Rs. 5.00 per share) on Equity Shares of Rs.5/- each for the year ended 31st March 2011.

FOREIGN CURRENCY CONVERTIBLE BONDS

As per the terms of issue, the Foreign Currency Convertible Bonds of US$ 20 million, issued by the Company were optionally convertible into Equity Shares till the close of business on 27th May 2011. As none of the FCCBs were converted within the conversion period and are outstanding, these are redeemable on 7th June 2011.

CREDIT RATINGS

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

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

FIXED DEPOSITS

The Company has neither accepted nor renewed any Fixed Deposits from the public during the year and as on 31st March 2011, there were no outstanding deposits.

CONSOLIDATED ACCOUNTS

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

DIRECTORS

Shri B. D. Sureka, Shri A. Vellayan and Prof. S. L. Rao retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

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

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

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

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

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

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

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

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

SAFETY AND ENVIRONMENT

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

As a result of its sustained compliance of Health, Safety, Environment and Quality standards, the Company's Chloro Chemical Division at Renukoot as well as Alco Chemical Division at Ankleshwar were recertified under OHSAS 18001 (Occupational Health & Safety Assessment Series) for the year 2010-11.

Both divisions were also recertified with ISO 9001 and ISO 14001 after surveillance audit for the year 2010-11.

The Company has established a Health & Safety Policy that is displayed and communicated to all employees at plant locations. With an aim to achieve 'Zero Accident' status, the Company has developed health and safety procedures, as well as safety targets and objectives. The Company continues to create grass root level awareness on safety through the concept of Total Productive Maintenance (TPM).

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

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS

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

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

During the year, there was a wage revision for workmen of Chloro Chemicals Division at Renukoot for a period of 3 years effective from January 2010.

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

SOCIAL CONTRIBUTION

Social welfare and community development is at the core of KCI's Corporate Social Responsibility philosophy and forms part of its larger social commitment. This is evident from the Company's unique participatory approach towards community development that has generated tangible benefits in terms of improved access to water, education and health facilities as well as opening avenues for self-employment.

SUBSIDIARY COMPANY

The Ministry of Corporate Affairs vide its General Circular no. 2/2011 dated 8th February, 2011 granted general exemption under Section 212(8) of the Companies Act, 1956, exempting companies from attaching with its Balance Sheet, the documents of its subsidiaries as specified under Section 212 of the Companies Act, 1956, subject to fulfilment of certain conditions. Your Company has fulfilled the required conditions, including the disclosure of the prescribed information in the consolidated accounts. Accordingly, the said documents with relation to Pipri Limited, the subsidiary of the Company are not attached to the Balance Sheet of the Company. However, the said documents of the subsidiary are available for inspection by the members at the Registered Offices of the Company and Pipri Limited. The members of the Company interested in obtaining the said documents may write to the Company Secretary at the Registered Office of the Company.

AUDITORS

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

i) That in the preparation of the annual accounts, all the applicable accounting standards have been followed.

ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year ended 31st March 2011.

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

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

ACKNOWLEDGEMENTS

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

For and on behalf of the Board

Registered Office
'Park Plaza'
71, Park Street
Kolkata - 700 016
Dated, the 28th day of May 2011

R.V. Kanoria
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217 (1) (e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March 2011

A. CONSERVATION OF ENERGY

Measures taken, additional investments and impact of the measures

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

- Replacement of Gas Fired Boiler with advanced technology energy efficient Gas Fired Boiler.
- Replacement of Sodium Formate Dryer with energy efficient Dryer.
- Installation of VFDs to optimize the power consumption in various sections.
- Replacement of Membrane in Unit - I.
- Stoppage of Cooling Tower fan in old Flaking plant by installation of Plate type Heat Exchanger (PHE).
- Stoppage of 30 HP motor of Water Feed Pump to Storage Tank by modification in the pipe line at Water Treatment Plant.
- Power saving by removal of Chlorine Control Valve and reduction in running hours of air compressors in new Chlorinated Paraffin Plant.

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

Power and Fuel Consumption

		2010-11	2009-10
Electricity			
i) a) Purchased (includes inter unit transfer)			
Unit (thousand KWH)		235,742	242,277
Total Amount (Rs. million)		1,107.03	933.06
Rate/Unit (Rs.)		4.70	3.85
b) Own Generation			
Through Diesel Generator			
Units (thousand KWH)		76	90
Units per litre of Diesel Oil		3.02	2.86
Cost/Unit (Rs.)		9.27	8.42
ii) Power Generation Division			
Through steam turbine/generator			
Units (thousand KWH) (Net)		329,994	268,472
Cost/Unit (Rs.) (Coal & Fuel oil)		1.73	1.82
iii) Other Internal Generation			
Units (thousand KWH)		18,761	16,035
Cost/Unit (Rs.)		4.50	3.88
Coal			
i) Coal (used for generation of steam in boilers)			
Quantity (M.T.)		18,358	19,918
Total Amount (Rs. million)		25.84	45.79
Average Rate/M.T. (Rs.)		1407.56	2,299.04
ii) Coal (used for generation of Electricity)			
Quantity (M.T.)		341,529	274,833
Total Amount (Rs. million)		562.73	485.80
Average Rate/M.T.(Rs.)		1,647.68	1,767.63
Furnace Oil			
Quantity (Litres)		42,518	531,657
Total Cost (Rs. million)		1.06	16.28
Average Rate/Ltr. (Rs.)		24.93	30.62
Diesel Oil			
Quantity (Litres)		246,186	122,020
Total Cost (Rs. million)		8.43	3.56
Average Rate/Ltr. (Rs.)		34.24	29.18
Natural Gas			
Quantity (thousand SM^3)		12,098	10,595
Total Cost (Rs. million)		193.01	135.95
Cost/Unit (Rs.)		15.95	12.83
Consumption per unit of production			
Electricity (KWH)			
Caustic Soda	M.T.	2,833	2,687
Pentaerythritol	M.T.	1,037	1,047
Industrial Alcohol	K.L.	311	391

B. TECHNOLOGY ABSORPTION

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

1. Research & Development (R & D)

a) Specific areas in which efforts are being made:

- Internal packing of stripping column has been replaced to improve column efficiency in Pentaerythritol plant.
- Re-use of jacket drain water in hydration of quicklime in Stable Bleaching Powder plant.
- On line filling of 10 NM^3 Hydrogen cylinders on the trucks at roads instead of at the filling points in Hydrogen Bottling Plant.
- Modification in Caustic cooler outlet to inlet header of production tank.

b) Benefits derived as a result of above efforts:

- Pentaerythritol production has increased.
- Saving in cost of production.
- Reduction in delivery time.
- Increase in Caustic Soda Flake production.

c) Future plan of action:

- A new Nitrogen plant is under erection. On commissioning, it will save energy as well as manpower.

d) Expenditure on R & D:

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

2. Technology absorption, adaptation and innovation

a) Efforts made:

- Formaldehyde Reactor has been replaced with improved design Reactor.

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

- Production from Formaldehyde plant has improved.

c) Technology imported during the last five years :

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Export activities:

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

b) Total foreign exchange used and earned:

Used	Rs. 632.89 million
Earned	Rs. 469.00 million

For and on behalf of the Board

Registered Office
'Park Plaza'
71, Park Street
Kolkata - 700 016
Dated, the 28th day of May 2011

R.V. Kanoria
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956, forming part of the Directors' Report for the year ended 31st March 2011

Name	Designation	Remuneration (Rs.)	Qualification(s)	Age (Years)	Experience (Years)	Date of joining	Last Employment
Kanoria R.V.	Chairman & Managing Director	10,523,769	B.Sc., MBA (Hons)	56	37	10.01.1983	-
Bahety T.D.	Wholetime Director	6,030,726	B.Sc., Chemistry (Hons), Jute Technologist	71	53	08.09.1988	Hastings Mill, General Manager

Notes :

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

For and on behalf of the Board

Registered Office
'Park Plaza'
71, Park Street
Kolkata - 700 016
Dated, the 28th day of May 2011

R.V. Kanoria
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

INTRODUCTION

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

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

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

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

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

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

BOARD OF DIRECTORS

Composition

The Board as on 31st March 2011 consisted of ten Directors including seven Non-executive Independent Directors. Shri R.V. Kanoria, B.Sc., MBA (Hons.), representing the promoters is holding executive position and is designated as the Chairman & Managing Director of the Company. He has 37 years of commercial and industrial experience. Shri J. P. Sonthalia, MBA and Chemicals Engineer, having 43 years experience in the fields of engineering, all areas of management and operations is the Managing Director (Designate) – Chloro Chemicals. Shri T.D. Bahety, B.Sc., Chem (Hons), Jute Technologist, having 53 years of industrial experience, is the Wholetime Director of the Company.

During the year under review the Board met four times, on 30th April 2010, 29th July 2010, 30th October 2010 and 3rd February 2011.

The constitution of the Board during the year ended 31st March 2011 and attendance at the Board Meetings, last Annual General Meeting and the Directorship, Chairmanship and/or Membership of Committees held as on 31st March 2011 by each Director in other companies are as under:

Name of Director	Attendance at		Category of Directors	Other Directorship[1]	Other Committee Chairmanship[2]	Other Committee Membership[2]
	Board Meetings	Last AGM				
Shri R.V. Kanoria	4	Yes	Promoter - Chairman & Managing Director	7	1	1
Shri Amitav Kothari	4	Yes	Independent Director	2	-	2
Shri H.K. Khaitan	4	Yes	Independent Director	4	2	-
Shri Ravinder Nath	1	No	Independent Director	3	1	1
Shri G. Parthasarathy	4	Yes	Independent Director	-	-	-
Prof. S.L. Rao	3	Yes	Independent Director	4	3	2
Shri B.D. Sureka	2	Yes	Independent Director	4	-	-
Shri A. Vellayan	1	Yes	Independent Director	6	1	1
Shri J. P. Sonthalia	4	Yes	Executive Director	-	-	-
Shri T.D. Bahety	4	Yes	Executive Director	1	-	-

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

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

Notes

a) None of the Directors is related to any other Director.

b) None of the Directors has any business relationship with the Company.

c) None of the Directors received any loans and advances from the Company during the year.

d) None of the Directors holds Directorships in more than 15 Indian Public Limited Companies and is Member of more than 10 Committees or Chairman of more than 5 Committees (as specified in Clause 49).

e) All the Directors have certified that the disqualifications mentioned under Section 274(1)(g) of the Companies Act, 1956 do not apply to them.

Responsibilities

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

The Management is required to:

a) provide necessary inputs and basis to assist the Board in its decision making process in respect of the Company's strategies, policies, performance targets and code of conduct;

b) manage day-to-day affairs of the Company to achieve targets and goals set by the Board in the best possible manner;

c) implement all policies and the code of conduct as approved by the Board;

d) provide timely, accurate, substantive and material information, including on all financial matters and any exceptions, to the Board and/or its Committees;

e) ensure strict compliance with all applicable laws and regulations; and

f) implement sound and effective internal control systems.

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

Role of Independent Directors

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

BOARD MEETINGS

Selection of Agenda Items for Board Meetings

i) The Company holds a minimum of four Board Meetings in each year, which are pre-scheduled after the end of each financial quarter. Apart from the four pre-scheduled Board Meetings, additional Board Meetings are convened by giving appropriate notice to address the specific needs of the Company.

ii) All divisions and departments in the Company are encouraged to plan their functions well in advance, particularly with regard to matters requiring discussion and approval by the Board or by Committees. All such matters are communicated to the Company Secretary in advance so that these may be included in the Agenda for the Board or Committee Meetings.

iii) At the beginning of each Meeting of the Board, the Chairman & Managing Director briefs the Board members about the key developments relating to the Company.

iv) At each of the four pre-scheduled Board Meetings, managers are invited to make presentations on the major business segments and operations of the Company before taking on record the results of the Company for the preceding financial quarter. Sufficient support information is provided to the Board in advance for all strategic matters of significance pertaining to expansion plans, financing and diversifications. These are discussed and deliberated in detail at the Board level.

v) The Board's annual agenda includes recommending dividend, determining Directors who shall retire by rotation and recommending appointment of Directors and Auditors, authentication of annual accounts and approving the Directors' Report, long term strategic plan for the Company and the principal issues that the Company expects to face in the future. Board Meetings also note and review functions of its Committees.

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

Board Material Distributed in Advance

i) Agenda Papers are circulated to the Directors in advance. All material information is incorporated in the Agenda Papers for facilitating meaningful and focussed discussions at the Meeting. Where it is not practicable to attach any documents to the Agenda, the same are placed on the table at the Meeting with specific reference to this effect in the Agenda.

ii) In special and exceptional circumstances, additional or supplementary items on the Agenda are permitted to be taken at the Meeting.

Recording Minutes of Proceedings at Board and/or Committee Meetings

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

Compliance

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

BOARD COMMITTEES

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

Audit Committee

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

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

During the year under review, the Committee met four times, on 30th April 2010, 29th July 2010, 30th October 2010 and 3rd February 2011.

Attendance of Members at Audit Committee Meetings held during the year 2010-11:

Name of Director	No. of Meetings attended
Shri Amitav Kothari	4
Shri H.K. Khaitan	4
Shri B.D. Sureka	2

Shareholders'/Investors' Grievances Committee

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

Shri N.K. Sethia, Company Secretary and Compliance Officer under the relevant regulations, has been delegated authority to attend to Share transfer formalities at least once in a fortnight. There are no pending share transfers except sub-judice matters, which would be solved on final disposal by Hon'ble Courts. This Committee is chaired by Shri B.D. Sureka and includes Shri H.K. Khaitan and Shri T.D. Bahety as its members. During the year under review, the Committee met three times, on 30th April 2010, 30th October 2010 and 3rd February 2011.

Attendance of Members at Shareholders'/Investors' Grievances Committee Meetings held during the year 2010-11:

Name of Director	No. of Meetings attended
Shri B.D. Sureka	1
Shri H. K. Khaitan	3
Shri T.D. Bahety	3

Remuneration and Selection Committee

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

The Committee consists of three independent Directors to determine, on behalf of the Board and Shareholders, the Company's policy on specific remuneration packages for Managing and Wholetime Directors, and to perform the functions as prescribed under Section 314 (1B) of the Companies Act, 1956. This Committee is chaired by Prof. S.L. Rao and includes Shri Ravinder Nath and Shri H.K. Khaitan as its members. During the year under review, the Committee met two times, on 9th April 2010 and 3rd February 2011.

Attendance of Members at Remuneration and Selection Committee Meetings held during the year 2010-11:

Name of Director	No. of Meetings attended
Prof . S.L. Rao	2
Shri H.K. Khaitan	2
Shri Ravinder Nath	1

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

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

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

Details of Remuneration paid or payable to Directors for the Financial Year ended 31st March 2011

(Figures in Rupees)

Name of the Director	Salary	Perquisites and other benefits	Commission	Sitting Fees*	Total
Shri R.V. Kanoria	4,932,116	3,695,139	1,896,514#	-	10,523,769
Shri Amitav Kothari	-	-	-	100,000	100,000
Shri H.K. Khaitan	-	-	-	125,000	125,000
Shri Ravinder Nath	-	-	-	25,000	25,000
Shri G. Parthasarathy	-	-	-	85,000	85,000
Prof. S.L. Rao	-	-	-	75,000	75,000
Shri B.D. Sureka	-	-	-	55,000	55,000
Shri A. Vellayan	-	-	-	20,000	20,000
Shri J. P. Sonthalia	3,055,734	497,280	2,234,167	-	5,787,181
Shri T.D. Bahety	2,073,710	1,883,306	2,073,710	-	6,030,726

* Includes Sitting Fee paid for Committee Meetings.

\# In terms of Section 198 read with Section 309 of the Companies Act, 1956, the overall managerial remuneration to the Directors shall not exceed 10% of the Net Profit of the Company computed in accordance with Section 349 of the Companies Act, 1956. As the overall remuneration as per the agreement with the Directors was exceeding 10%, the Commission payable to the Managing Director as agreed by him and noted in the Board Meeting has been reduced to Rs.1,896,514 as against Rs. 4,468,335 payable in terms of the agreement.

Details of Agreement

Name	From	To	Tenure
Shri R.V. Kanoria	10.01.2009	09.01.2012	3 years
Shri J. P. Sonthalia*	01.02.2007	31.01.2012	5 years
Shri T.D. Bahety**	20.05.2010	19.05.2013	3 years

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

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

Equity Shares of the Company held by Directors

The Directors, who hold the Equity Shares of the Company as on 31st March 2011 are Shri R.V. Kanoria (434,985), Shri B.D. Sureka (1,500), Shri T.D. Bahety (3,024), Shri A. Vellayan (15,000), Shri Amitav Kothari (4), Shri J. P. Sonthalia (3) and no other Director of the Company holds any Equity Share of the Company except qualification shares held jointly with others.

Finance Committee

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

This Committee is chaired by Shri R.V. Kanoria and includes Shri H.K. Khaitan, Shri B. D. Sureka and Shri T.D. Bahety as its members. There was no Meeting of the Committee during the year.

Nomination Committee

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

This Committee is chaired by Shri R.V. Kanoria and includes Shri G. Parthasarathy and Shri Ravinder Nath as its members. There was no Meeting of the Committee during the year.

Project Management Committee

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

This Committee is chaired by Shri R.V. Kanoria and includes Prof. S.L. Rao, Shri G. Parthasarathy and Shri T.D. Bahety as its members. During the year, one Meeting of the Committee was held on 3rd February 2011 which was attended by all the members.

OTHER COMMITTEE

Risk Management Committee

The Risk Management Committee consists of Executives of the Company to identify and assess significant risks that might impact the achievement of the Company's objectives and to develop risk management strategies to minimise identified risks and to design appropriate risk management procedures. Presently, the Committee consists of Shri N.K. Nolkha -Chief Financial Officer, Shri N.K. Sethia - Company Secretary and Shri Arun Agarwal - President (Works). During the year under review the Committee met on 2nd February 2011.

GENERAL BODY MEETINGS

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

Year	Date	Time	Venue	No. of Special Resolution(s) passed
2009-10	29th July 2010	2.30 P.M.	Shripati Singhania Hall, Rotary Sadan,	1
2008-09	31st July 2009	2.30 P.M.	94/2 Chowringhee Road,	2
2007-08	24th July 2008	2.30 P.M.	Kolkata-700 020	-

During the year 2010-11, no resolution was put through the postal ballot. During the current year (2011-12), one ordinary resolution under Section 293 (1) (a) of the Companies Act, 1956 for sale of the Company's Chloro Chemicals Division was passed by the postal ballot process.

The postal ballot process was undertaken in accordance with the provisions of Section 192A of the Companies Act, 1956, read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2001. Shri H. M. Choraria, a practicing Company Secretary was appointed as Scrutinizer for the said postal ballot process. The result of the postal ballot was declared on 23rd May 2011 and the resolution was passed with the requisite majority. The details of the postal ballot voting are given below:

Number of valid Postal Ballot Forms received	516
Percentage Votes in favour of the resolution	98.34
Percentage Votes against the resolution	1.66
Number of Invalid Ballot Forms received	32

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

SUBSIDIARY COMPANY

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

DISCLOSURES

Related parties and transactions with them as required under Accounting Standard 18 (AS-18) are furnished under Note No. 20 of the Notes on Accounts attached with the financial statement for the year ended 31st March 2011. There are no pecuniary relationships or transactions with the non-executive independent Directors.

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

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

MEANS OF COMMUNICATION

The quarterly financial results as prescribed under the Listing Agreements and the audited annual results were approved and taken on record within the prescribed time limits. The approved results were thereafter sent to the Stock Exchanges and also published in English newspapers having nationwide circulation and in vernacular language (Bengali) newspaper within 48 hours of the Meeting.

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

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

To familiarise our shareholders with the Company's operations, visits to its manufacturing plants are arranged in small batches. During the financial year 2010-11, shareholders were taken to the Chloro Chemical Works, Renukoot.

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

GREEN INITIATIVE IN CORPORATE GOVERNANCE

The Ministry of Corporate Affairs has taken a “Green Initiative in Corporate Governance” by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including annual report to its members can be done by sending the same by e-mail.

Your Company supports this Green Initiative of the Government and encourages its Members who have not registered their e-mail address so far, to register their e-mail address with the Depository through their respective Depository Participants in case of shares held in electronic form and with the Company/ Registrar & Transfer Agent, C. B. Management Services Pvt. Limited in case of shares held in physical form and also to update/intimate changes in their e-mail address from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS

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

CEO AND CFO CERTIFICATION

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

CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

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

CODE OF CONDUCT

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

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

UNCLAIMED SHARES

Clause 5A (I) of the Listing Agreement is not applicable to the Company.

As per Clause 5A (II), the Company is in the process of sending reminders for the shares issued in physical form which remain unclaimed. If after the third reminder, no response is received then the unclaimed shares will be transferred in due course into one folio in the name of "Unclaimed Suspense Account."

COMPLIANCE CERTIFICATE OF THE AUDITORS

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

MANDATORY/NON-MANDATORY PROVISIONS OF THE CODE

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

i) Company has constituted a Remuneration and Selection Committee to review and recommend remuneration of Managing and Wholetime Directors and also to perform the functions as prescribed under Section 314 (1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003. The Chairman of the Committee was present at the last Annual General Meeting of the Company held on 29th July 2010.

ii) During the year under review, there is no audit qualification in the financial statements. The Company continues to adopt the best practices to ensure unqualified financial statements.

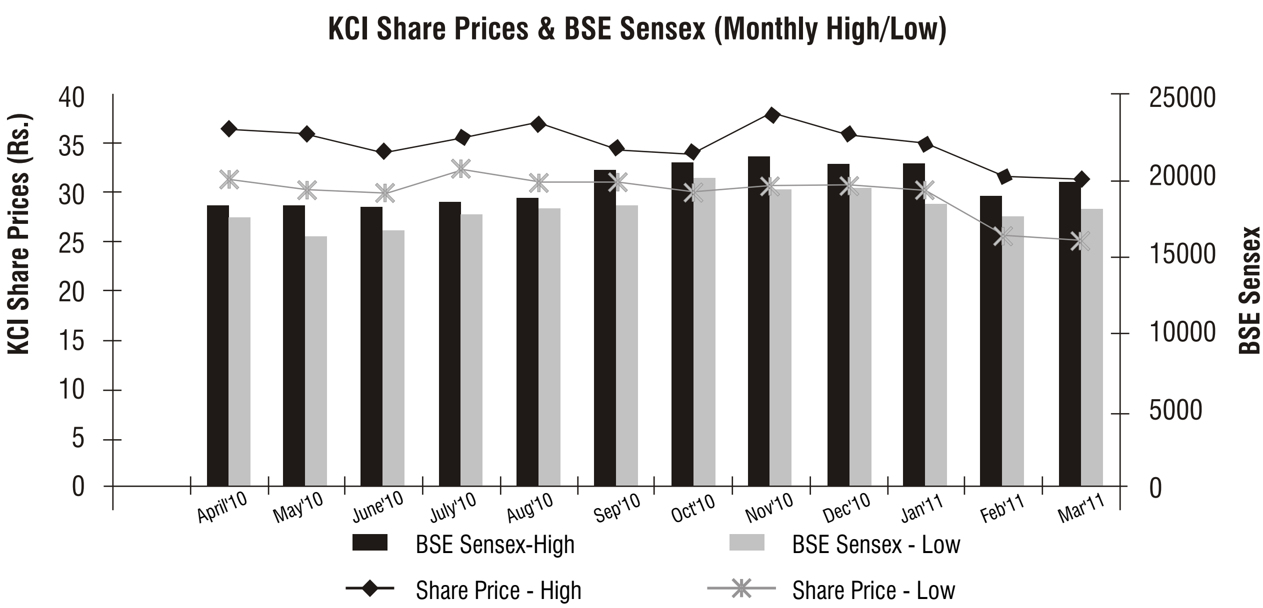
GENERAL SHAREHOLDERS' INFORMATION

1. Annual General Meeting	
• Date and time	12th August 2011 at 2.30 P. M.
• Venue	'Shripati Singhania Hall', Rotary Sadan, 94/2 Chowringhee Road, Kolkata 700 020
2. Financial Calendar 2011-12 (tentative and subject to change)	
• Financial Results for the : quarter ending 30th June 2011 quarter ending 30th September 2011 quarter ending 31st December 2011	Within 45 days of end of respective quarter
year ending 31st March 2012	By 30th May 2012
• Annual General Meeting for 2011-12	September 2012
3 Date of Book Closure	29th July 2011 to 12th August 2011 (both days inclusive).
4. Dividend Payment Date	On 18th August 2011 (subject to shareholders' approval)
5. Listing on Stock Exchanges: (Equity Shares)	National Stock Exchange of India Ltd. 'Exchange Plaza', Bandra-Kurla Complex, Bandra (E) Mumbai – 400 051 www.nseindia.com Bombay Stock Exchange Ltd. P. J. Towers Dalal Street, Fort Mumbai – 400 001 www.bseindia.com Note: Listing fee for the year 2011-12 has been paid to the above Stock Exchanges.
Foreign Currency Convertible Bonds (FCCB)	Luxembourg Stock Exchange, Luxembourg
6. Stock Code :	
Bombay Stock Exchange Limited	50 6525
National Stock Exchange of India Limited	KANORICHEM
Luxembourg Stock Exchange	XS0255239971 (FCCB)

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

Months	National Stock Exchange (NSE)*		Bombay Stock Exchange (BSE)*	
	High	Low	High	Low
April 2010	36.65	30.85	36.60	31.50
May 2010	36.00	30.15	35.95	30.50
June 2010	33.75	30.00	33.90	30.05
July 2010	35.60	32.30	35.75	32.50
August 2010	37.00	31.00	37.00	31.05
September 2010	34.00	31.15	34.50	31.15
October 2010	34.50	31.85	34.00	30.10
November 2010	38.60	31.00	38.00	30.80
December 2010	38.50	31.00	36.00	31.00
January 2011	34.80	30.50	34.95	30.50
February 2011	33.45	25.80	31.60	25.75
March 2011	29.80	25.10	31.25	25.25

* Source: Website of NSE and BSE



8. Registrar and Share Transfer Agent

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

9. (a) Share Transfer System

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

Details of the share transfers during the year 2010-11:

No. of valid share transfer applications received, processed and registered	26
No. of shares transferred	75,532
No. of share transfers in process as on 31.03.2011	Nil
No. of shares dematerialised	21,724,221
No. of shares rematerialized	Nil

During the year 2010-11, the Company attended to most of the investors' grievances and/or correspondence within a period of seven days from the date of the receipt of such grievances and/or correspondence.

As per Complaints Receipt Register maintained by the Company and/or Registrar, altogether 13 complaints were received during the period 1st April 2010 to 31st March 2011 and all were redressed as per details given below:

Nature	No. of Complaints	Redressed	Pending
1. Non-receipt of Dividend Warrants	2	2	-
2. Non-receipt of Share Certificates	-	-	-
3. Non-receipt of Annual Reports	9	9	-
4. Complaint through SEBI	2	2	-
5. Complaint through Stock Exchanges	-	-	-
Total	**13**	**13**	**-**

(b) Dematerialisation of Shares and liquidity

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

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

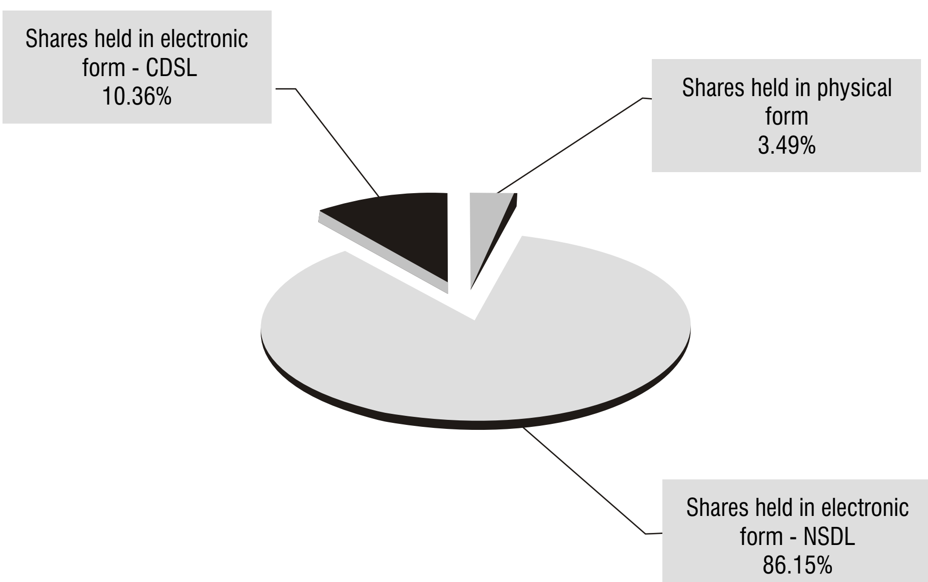
A total of 54,332,781 Equity Shares of the Company representing 96.51 % of the Share Capital are dematerialised as on 31st March 2011.

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

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

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

The shareholders may kindly note that the Company has paid the custody charges for the financial year 2011-12 to both the Depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) with whom it has established connectivity.



© National Electronic Clearing Service (NECS) for Dividend

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

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

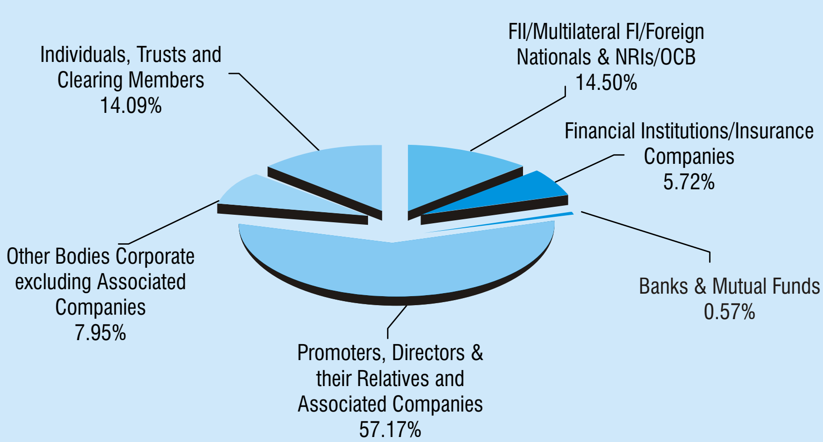
10. Distribution of Equity Shareholding as on 31st March 2011 :

Nominal value of Shareholding	Number of Shareholders		Number of Equity Shares	
	Total	% of Shareholders	Total	% of Share Capital
Up to Rs.5,000	9,008	86.41	2,377,029	4.22
Rs. 5,001 - Rs.10,000	693	6.65	1,009,451	1.80
Rs.10,001 - Rs.20,000	378	3.63	1,063,571	1.89
Rs. 20,001 - Rs. 30,000	142	1.36	707,543	1.26
Rs.30,001 - Rs.40,000	39	0.37	271,908	0.48
Rs. 40,001 - Rs. 50,000	36	0.34	329,594	0.58
Rs. 50,001 - Rs. 1,00,000	57	0.55	804,146	1.43
Rs.1,00,001 and above	72	0.69	49,733,258	88.34
Total	**10,425**	**100.00**	**56,296,500**	**100.00**

11. Equity Shareholding Pattern as on 31st March 2011:

Category	No. of Shares held	% of Shareholding
FII/Multilateral FI/Foreign Nationals & NRIs/OCB	8,163,893	14.50
Financial Institutions / Insurance Companies	3,221,582	5.72
Banks & Mutual Funds	317,925	0.57
Promoters, Directors & their Relatives and Associated Companies	32,182,762	57.17
Other Bodies Corporate excluding Associated Companies	4,478,121	7.95
Individuals, Trusts and Clearing Members	7,932,217	14.09
Total	**56,296,500**	**100.00**

Graphic Presentation of the Equity Shareholding Pattern as on 31.03.2011



12. Top Ten Shareholders of the Company as on 31st March 2011:

Sl. No.	Name of Shareholders	No. of shares	% of shareholding
1	Vardhan Limited	24,732,876	43.93
2	International Finance Corporation	6,102,000	10.84
3	Mega Resources Limited	3,423,153	6.08
4	R V Investment & Dealers Limited	3,210,120	5.70
5	IFCI Limited	1,200,000	2.13
6	Kirtivardhan Finvest Services Limited	1,154,907	2.05
7	Ludlow Jute and Specialities Limited	1,000,203	1.78
8	Ricky Ishwardas Kirpalani	992,781	1.76
9	United India Insurance Co. Limited	781,693	1.39
10	Keswani Haresh	714,049	1.27
	Total	**43,311,782**	**76.93**

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

As at the end of the year, the entire optionally convertible FCCBs of US$ 20 million, issued by the Company were outstanding. The FCCBs were optionally convertible into Equity Shares at any time on or after 5th June 2006 and prior to close of business on 27th May 2011. As none of the FCCBs were converted till the close of business on 27th May 2011 and are outstanding, these are redeemable on 7th June 2011 at 144.715 percent of their principal amount.

14. Plant Locations

Chloro Chemicals Segment

Renukoot Chemical Works*

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

Power Generation Division*
P.O. Renukoot-231 217, Dist. Sonebhadra,
Uttar Pradesh

Salt Works*
P.O. Samakhali-370 150, Gandhidham,
Gujarat

* Since transferred by way of slump sale to Aditya Birla Chemicals (India) Limited from the closing of business hours on 23rd May 2011.

Alco Chemicals Segment

I - Alcochem Ankleshwar Division

Ankleshwar Chemical Works
3407, GIDC Industrial Estate,
P.O. Ankleshwar-393 002,
Dist. Bharuch (Gujarat).

Bio-Compost Plant
Vill. Sengpur, Taluka: Ankleshwar-393 002,
Dist. Bharuch (Gujarat).

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

II - Alcochem Vizag Division
Plot No.32, Jawaharlal Nehru Pharma City,
Parwada, Vishakhapatnam - 531 021,
Andhra Pradesh

15. Address for Correspondence:

For Investors' matters

The Company Secretary
Kanoria Chemicals & Industries Limited
'Park Plaza', 71 Park Street,
Kolkata-700 016.
Phone : (033) 2249-9472/73/74
Fax : (033) 2249-9466
Email : nksethia@kanoriachem.com
Website: http://www.kanoriachem.com

For queries relating to Financial Statements	The Chief Financial Officer Kanoria Chemicals & Industries Limited 'Park Plaza', 71 Park Street, Kolkata-700 016. Phone : (033) 2249-9472/73/74 Fax : (033) 2249-9466 Email : nolkha@kanoriachem.com Website: http://www.kanoriachem.com
16 Deposit of unclaimed dividend amount to Investor Education and Protection Fund	During the year under review, the Company has deposited unclaimed dividend of Rs.149,180 for the year 2002-03 to the Investor Education and Protection Fund on 17th September 2010, pursuant to Section 205C of the Companies Act, 1956 and the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001.

For and on behalf of the Board

Registered Office
'Park Plaza'
71, Park Street
Kolkata - 700 016
Dated, the 28th day of May 2011

R.V. Kanoria
Chairman & Managing Director

AUDITORS' CERTIFICATE

Auditor's Certificate on compliance of conditions of corporate governance to the members of Kanoria Chemicals & Industries Limited

We have examined the compliance of conditions of Corporate Governance by **KANORIA CHEMICALS & INDUSTRIES LIMITED** ("the Company") for the year ended 31st March 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

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

Camp : New Delhi
1-B, Old Post Office Street, Kolkata
Dated, the 28th day of May 2011

Rajiv Singhi
(Partner)
Membership No. 53518

AUDITORS' REPORT

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

We have audited the attached Balance Sheet of **KANORIA CHEMICALS & INDUSTRIES LIMITED** as at 31^{st} March 2011, the Profit & Loss Account and the Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
2. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
5. On the basis of the written representations received from the Directors as on 31^{st} March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31^{st} March, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and notes on account in Schedule “R” give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

   (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31^{st} March, 2011;

   (b) In the case of the **Profit** and Loss Account, of the PROFIT for the year ended on that date; and

   (c) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

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

Rajiv Singhi
(Partner)
Membership No. 53518

Camp : New Delhi
1-B, Old Post Office Street, Kolkata
Dated, the 28^{th} day of May 2011

ANNEXURE TO THE AUDITORS' REPORT

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

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

(b) As per the information and explanations given to us, physical verification of fixed assets has been carried out in terms of the phased program of verification of its fixed assets adopted by the Company and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to size of the Company and nature of its business.

(c) There was no substantial disposal of fixed assets during the year.

ii. (a) The inventories have been physically verified at reasonable intervals during the year by the management/Internal Auditors except materials lying with third parties, where confirmations are obtained.

(b) In our opinion, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company has maintained proper records of inventories. The discrepancies between the physical stocks and book stocks, which are not significant, have been properly dealt with in the books of account.

iii. (a) As per the information furnished, the Company has not granted any loans secured or unsecured to Companies, firms or other parties covered in the Register maintained U/S 301 of the Companies Act, 1956. Hence Clauses 3(b), (c) and (d) of the order are also not applicable to the company.

(b) As per the information furnished, the Company has not taken any loans secured or unsecured from Companies, firms or other parties covered in the Register maintained U/S 301 of the Companies Act, 1956. Hence Clauses 3(f) and (g) of the order are also not applicable to the company.

iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books of accounts and according to the information and explanations given to us, we have not come across nor have we been informed of any instances of major weaknesses in the aforesaid internal control system.

v. (a) In our opinion and according to the information and explanation given to us, the transactions that need to be entered into register maintained under section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at price, which are reasonable having regard to the prevailing market price at the relevant time.

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

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

viii. We have broadly reviewed the Books of Account maintained by the Company in respect of its product as prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained. However, we have not carried out a detailed examination of accounts and records.

ix. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and cess during the year with the appropriate authorities. According to the information and explanations given to us, no undisputed amount payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and cess and other statutory dues were outstanding as at 31st March, 2011 for a period of more than six months from the date they became payable.

(b) According to the record of the Company, the dues of Sales tax, Excise Duty, Service Tax, Custom duty and Income Tax, which have not been deposited on account of dispute and the forum where the disputes are pending are as under:

Nature of the Statute	Nature of Dues	Amount (Rs. in million)	Period	Forum where dispute is pending
The Sales Tax Act	Sales Tax demand	4.35	1989-90,1990-91,	High Court
			2003-04 and 2005-06	
The Central Excise Act 1944	Excise Duty demand	1.20	1996-97 and 1997-98	Asst. Commissioner
	Excise Duty demand	0.74	2006-07	Commissioner (Appeals)
	Excise Duty demand	0.53	1996-97 to 2000-01	High Court
	Excise Duty demand	56.13	2000-01 to 2007- 08	CESTAT
The Service Tax under The Finance Act, 1994	Service Tax Demand	5.39	2005-06 to 2010-11	Commissioner / Joint Commissioner (Appeals)
	Service Tax Demand	13.66	2005-06	CESTAT
The Income Tax Act, 1961	Income Tax Demand	175.99	2002-03 to 2004-05 and 2007-08	C.I.T (A)
The Custom Act, 1962	Custom duty demand	0.13	1999-2000	Asstt. Commissioner of Custom

x. The Company has no accumulated losses as at 31st March 2011 and has not incurred cash losses in the current financial year ended on that date and in the immediately preceding financial year.

xi. Based on our audit procedures and as per the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institution or bank. There were no outstanding debentures during the year.

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

xiii. The Company is not a chit fund/nidhi/mutual benefit fund/society to which the provision of the special statutes as specified in paragraph 4(xiii) of the order are applicable.

xiv. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments and accordingly this clause is not applicable.

xv. The company has given the corporate guarantee amounting to Rs.11.63 million to Gujarat Industrial Development Corporation for securing loan by Bharuch Eco- Aqua Infrastructure Ltd. The terms and conditions of which, prima facie, are not prejudicial to the interest of the company.

xvi. According to the information and explanations given to us, the Company has applied term loans for the purpose for which they were obtained during the year.

xvii. On the basis of our examination of the Cash Flow Statement, records and information and explanations given to us, the fund raised on Short Term basis, during the year, have not been used for Long Term investments. Long Term investments during the year have been financed through Long Term Borrowings and internal accrual of the Company.

xviii. The company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under section 301 of the Act.

xix. The company did not have any outstanding debenture during the year and accordingly paragraph 4(xix) of the order is not applicable.

xx. The Company has not raised any money by public issues during the year and accordingly paragraph 4(xx) of the order is not applicable.

xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

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

Rajiv Singhi
(Partner)
Membership No. 53518

Camp : New Delhi
1-B, Old Post Office Street, Kolkata
Dated, the 28th day of May 2011

BALANCE SHEET

AS AT 31ST MARCH 2011

(Rs. in million)

	Schedule	31.3.2011	31.3.2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	281.50	281.50
Reserves & Surplus	B	1,951.45	2,169.51
		2,232.95	2,451.01
Loan Funds			
Secured Loans	C	2,586.30	1,977.39
Unsecured Loans	D	1,199.08	1,175.97
		3,785.38	3,153.36
Deferred Tax (Net)	E	537.81	564.86
Total		6,556.14	6,169.23
APPLICATION OF FUNDS			
Fixed Assets	F		
Gross Block		9,393.06	8,513.81
Less : Depreciation		3,502.42	3,282.87
: Impairment		17.85	17.85
Net Block		5,872.79	5,213.09
Capital Work-in-Progress		100.45	537.85
		5,973.24	5,750.94
Investments	G	67.81	69.16
Current Assets, Loans & Advances	H		
Inventories		652.62	586.17
Sundry Debtors		652.77	511.20
Cash & Bank Balances		251.56	24.02
Loans & Advances		367.90	238.80
		1,924.85	1,360.19
Less:			
Current Liabilities & Provisions	I		
Liabilities		567.47	512.26
Provisions		842.29	498.80
		1,409.76	1,011.06
Net Current Assets		515.09	349.13
Total		6,556.14	6,169.23
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS	R		

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

RAJIV SINGHI
Partner
Membership No. 53518

Camp: New Delhi
Dated the 28th day of May, 2011

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 2011

(Rs. in million)

	Schedule	2010-2011	2009-2010
INCOME			
Net Sales	J	4,852.24	4,211.81
Other Income	K	86.83	125.15
Increase/(Decrease) in Stocks	L	8.26	(68.82)
		4,947.33	4,268.14
EXPENDITURE			
Raw Materials Consumed	M	1,983.30	1,687.88
Purchases		89.23	9.31
Manufacturing Expenses	N	1,216.20	1,062.20
Employees Cost	O	375.56	332.47
Selling, Administrative & Other Expenses	P	424.10	299.58
		4,088.39	3,391.44
Profit before Interest, Depreciation & Tax		858.94	876.70
Interest & Finance Charges	Q	232.65	232.35
Profit before Depreciation & Tax		626.29	644.35
Depreciation & Amortisation		410.33	399.56
Profit before Exceptional items & Tax		215.96	244.79
Exceptional items (Refer Note No.B.15 Schedule-'R')		(1.56)	143.15
Profit before Tax		214.40	387.94
Add : Taxation for earlier years		-	0.71
Less: Provision for Taxation - Current		42.29	62.28
- Deferred		2.32	46.62
Net Profit		169.79	279.75
Balance as per last Account		268.41	231.87
		438.20	511.62
APPROPRIATIONS			
Proposed Dividend on Equity Shares		281.48	84.44
Provision for Dividend Tax		45.21	8.77
Transfer to General Reserve		20.00	150.00
Balance carried to Balance Sheet		91.51	268.41
		438.20	511.62
EARNINGS PER SHARE (Face Value Rs. 5 each)			
(Refer Note No.B.13 Schedule-'R')			
- BASIC (Rs.)		3.02	4.97
- DILUTED (Rs.)		2.21	3.63
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS	R		

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

RAJIV SINGHI
Partner
Membership No. 53518

Camp: New Delhi
Dated the 28th day of May, 2011

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2011

(Rs. in million)

	2010-2011	2009-2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Income Tax & Exceptional items	215.96	244.79
Adjustments for:		
Depreciation & Amortisation	410.33	399.56
Interest & Finance Charges	232.65	232.35
(Profit)/Loss on Sale of Fixed Assets (Net)	55.57	(17.16)
Interest Income	(7.01)	(3.00)
Dividend Income	(0.08)	(31.70)
Operating Profit before Working Capital changes	907.42	824.84
Adjustments for:		
Trade and Other receivables	(247.71)	67.38
Inventories	(66.45)	(87.94)
Trade Payables	160.13	51.86
Cash generated from Operations	753.39	856.14
Income Tax (Paid)/Received	(63.30)	(51.22)
NET CASH FROM OPERATING ACTIVITIES	690.09	804.92
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(625.81)	(247.93)
Sale of Fixed Assets	13.11	40.11
Purchase of Investments	(3.95)	(12.34)
Sale of Investments	5.30	-
Interest received	5.06	3.83
Dividend received	0.08	31.70
NET CASH USED IN INVESTING ACTIVITIES	(606.21)	(184.63)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings (net of repayments)	632.03	(319.25)
Foreign Exchange Fluctuation on FCCBs related transactions	(1.56)	143.15
Premium on Redemption of FCCBs	(90.53)	(85.03)
Dividend Paid (including Dividend Tax)	(93.22)	(98.56)
Interest & Finance Charges Paid	(303.27)	(285.55)
NET CASH USED IN FINANCING ACTIVITIES	143.45	(645.24)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	227.33	(24.95)
CASH AND CASH EQUIVALENTS - AS AT 01.04.2010	22.04	46.99
CASH AND CASH EQUIVALENTS - AS AT 31.03.2011	249.37	22.04

Notes:

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

Cash and Bank Balances	251.56	24.02
Less: Unpaid Dividend	2.19	1.98
Cash and Cash equivalents	249.37	22.04

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

c. Additions to Fixed Assets are stated inclusive of movements of capital work in progress in between beginning and end of the year and treated as part of Investing Activities.

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

For and on behalf of the Board

RAJIV SINGHI
Partner
Membership No. 53518

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

Camp: New Delhi
Dated the 28th day of May, 2011

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

SCHEDULES TO THE BALANCE SHEET

(Rs. in million)

		31.3.2011	31.3.2010
SCHEDULE 'A'			
SHARE CAPITAL			
AUTHORISED			
100,000,000	Equity Shares of Rs. 5 each	500.00	500.00
ISSUED			
56,296,500	Equity Shares of Rs. 5 each	281.48	281.48
SUBSCRIBED, CALLED AND PAID UP			
56,296,500	Equity Shares of Rs. 5 each fully paid-up	281.48	281.48
	Add: Forfeited Shares (Amount paid up)	0.02	0.02
		281.50	281.50

Note: Of the above, following were allotted:

a) as fully paid Bonus Shares-
6,271,600 by capitalisation of General Reserve
18,765,500 by capitalisation of Capital Redemption Reserve

b) as fully paid Shares-
6,200 allotted pursuant to scheme of amalgamation

	31.3.2011	31.3.2010
SCHEDULE 'B'		
RESERVES & SURPLUS		
CAPITAL RESERVE		
As per last Balance Sheet	34.17	34.17
CAPITAL REDEMPTION RESERVE		
As per last Balance Sheet	9.67	9.67
SECURITIES PREMIUM ACCOUNT		
As per last Balance Sheet	695.42	752.20
Less: Premium on redemption of FCCBs (net of Deferred Tax)	61.16	56.78
	634.26	695.42
GENERAL RESERVE		
As per last Balance Sheet	1,161.84	1,011.84
Add: Transfer from Profit & Loss Account	20.00	150.00
	1,181.84	1,161.84
PROFIT & LOSS ACCOUNT		
As per annexed Account	91.51	268.41
	1,951.45	2,169.51

SCHEDULES TO THE BALANCE SHEET

(Rs. in million)

	31.3.2011	31.3.2010

SCHEDULE 'C'
SECURED LOANS

	31.3.2011	31.3.2010
Term Loans		
From Banks	1,464.51	1,050.48
From Others	625.00	625.00
Vehicle Financing		
From Banks (against hypothecation of related vehicles)	7.69	10.06
Working Capital Loans		
From Banks	489.10	291.85
	2,586.30	1,977.39

i) Term Loans aggregating Rs. 2,089.51 million are secured/to be secured by Division-wise first charge and mortgage by deposit of title deeds of immovable properties and hypothecation of movable fixed assets, both present and future, ranking pari passu with the mortgages and charges created in favour of other term lenders.

ii) Working Capital Loans aggregating Rs. 201.14 million are secured against division wise hypothecation of Stocks, Book Debts, Stores & second charge on all other assets and Rs. 287.96 million are secured against hypothecation by way of a subservient charge on all current assets and movable fixed assets of Renukoot Unit.

iii) Instalments payable within one year Rs. 474.66 million.

SCHEDULE 'D'
UNSECURED LOANS

	31.3.2011	31.3.2010
Long Term		
Foreign Currency Convertible Bond (payable within one year) (Refer Note No.B.14 Schedule-'R')	893.00	902.80
Short Term		
From Banks	306.08	273.17
	1,199.08	1,175.97

SCHEDULE 'E'
DEFERRED TAX (NET)

	31.3.2011	31.3.2010
DEFERRED TAX LIABILITY		
Depreciation	673.74	664.87
DEFERRED TAX ASSETS		
Retirement Benefits	43.22	36.71
Premium on Redemption of FCCBs	85.81	54.41
Others	6.90	8.89
	135.93	100.01
	537.81	564.86

SCHEDULE 'F'
FIXED ASSETS

(Rs. in million)

PARTICULARS	GROSS BLOCK				DEPRECIATION				IMPAIRMENT				NET BLOCK	
	As at 31.3.10	Additions	Sales and/or adjustment	As at 31.3.11	As at 31.3.10	For the Year	Sales and/or adjustment	Up to 31.3.11	As at 31.3.10	For the Year	Sales and/or adjustment	Up to 31.3.11	As at 31.3.11	As at 31.3.10
TANGIBLE ASSETS														
Land & Site Development	205.12	231.17	-	436.29	-	-	-	-	-	-	-	-	436.29	205.12
Leasehold land & Site Development	19.78	-	-	19.78	4.43	0.18	-	4.61	-	-	-	-	15.17	15.35
Buildings	1,125.87	165.95	16.54	1,275.28	248.33	29.17	0.13	277.37	-	-	-	-	997.91	877.54
Plant & Machinery	6,866.67	665.95	207.09	7,325.53	2,894.72	358.31	164.22	3,088.81	17.85	-	-	17.85	4,218.87	3,954.10
Railway Siding & Weigh Bridge	62.97	1.90	0.72	64.15	12.61	2.99	0.69	14.91	-	-	-	-	49.24	50.36
Vehicles and Fork Lifts	95.34	20.20	10.04	105.50	39.34	8.88	6.19	42.03	-	-	-	-	63.47	56.00
Furniture & Fixture, Office & Laboratory Equipments etc.	130.69	47.53	25.04	153.18	81.55	7.62	19.55	69.62	-	-	-	-	83.56	49.14
INTANGIBLE ASSETS														
Computer Software	7.37	6.02	0.04	13.35	1.89	3.18	-	5.07	-	-	-	-	8.28	5.48
	8,513.81	1,138.72	259.47	9,393.06	3,282.87	410.33	190.78	3,502.42	17.85	-	-	17.85	5,872.79	5,213.09
Capital Work-in-Progress													100.45	537.85
TOTAL													5,973.24	5,750.94
Figures for the corresponding Previous year	8,294.07	261.63	41.89	8,513.81	2,918.55	399.56	35.24	3,282.87	17.85	-	-	17.85	5,750.94	

NOTES:

1. Land & Site Development includes forest products on Land and Plantation Rs. 7.75 million.
2. Capital Work-in-Progress includes project advances Rs. 6.46 million (Previous year Rs. 28.98 million).
3. Fixed Assets of the Company, excluding some minor items, were revalued by approved valuer on Net Current Replacement Basis on 31st March, 1992 and thereby the value of Fixed Assets increased with corresponding credit to Revaluation Reserve. Net Block as on 31st March, 2011 includes Revalued amount of Rs. 118.90 million.

SCHEDULES TO THE BALANCE SHEET

(Rs. in million)

SCHEDULE 'G'
INVESTMENTS

OTHER THAN TRADE (AT COST) LONG TERM No. of Shares / Debentures		Face Value per Share / Debenture Rs.	31.3.2011	31.3.2010
	GOVERNMENT SECURITIES (UNQUOTED)			
	National Savings Certificates			
	(Deposited with Government Authorities)		0.03	0.03
	FULLY PAID UP EQUITY SHARES			
	(QUOTED)			
200	IFCI Ltd.	10	0.01	0.01
500	HDFC Bank Ltd.	10	0.01	0.01
9,000	Bank Of India	10	0.40	0.40
	(UNQUOTED)			
1	Rishi (Gandhidham) Owner's Association (Rs. 100)	100		
10,000	Enviro Technology Ltd.	10	0.10	0.10
1,400	Bharuch Enviro Infrastructure Ltd.	10	0.01	0.01
5	Mittal Tower Premises Co-op. Society Ltd.(Rs. 250)	50		
822,542	Bharuch Eco Aqua Infrastructure Ltd.	10	8.23	8.23
100	KCI Alco Chem Limited (Rs.500)	5		
	IN JOINT VENTURE COMPANY			
1,099,623	Minerva Flavours and Fragrance Private Limited*	10	10.99	12.34
	IN SUBSIDIARY COMPANY			
	(Jointly held with Nominees)			
4,650,550	Pipri Ltd.	10	48.01	48.01
	FULLY PAID UP DEBENTURES			
	(UNQUOTED)			
	Woodlands Hospital and Medical Research Center Ltd.			
78	1/2% Registered Mortgaged Debentures	100	0.01	0.01
1	5% Non-Redeemable Mortgaged Debentures	14000	0.01	0.01
			67.81	69.16

	31.3.2011		31.3.2010	
	Book Value	Market Value	Book Value	Market Value
Aggregate amount of:-				
Quoted Investments	0.42	5.46	0.42	4.04
Unquoted Investments	67.39	-	68.74	-
	67.81		69.16	

* Exited from Joint Venture vide an agreement dated 1st March 2011 (number of shares in previous year 1,234,226).

SCHEDULES TO THE BALANCE SHEET

(Rs. in million)

SCHEDULE 'H'
CURRENT ASSETS, LOANS & ADVANCES

	31.3.2011	31.3.2010
INVENTORIES		
(as certified by the Management)		
Stores and Spare Parts etc.(including Machinery Spares of Irregular Use Rs. 0.34 million)(Previous Year Rs. 0.43 million)	133.16	137.21
Coal and Fuel at Power Plant	49.91	96.28
Raw Materials	290.77	181.45
Finished Goods	135.25	133.26
Work-in-Process	43.12	37.97
Power banked with UPPCL	0.41	-
	652.62	586.17
SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Considered Good		
Secured	0.25	0.41
Unsecured	30.16	21.16
Considered Doubtful	6.70	18.28
Less: Provision	6.70	18.28
	-	-
Under Litigation	11.95	6.75
Less: Provision	11.95	6.75
	-	-
Other Debts		
Considered Good		
Secured	0.19	0.94
Unsecured	622.17	488.69
	652.77	511.20
CASH AND BANK BALANCE		
Cash Balance (as certified)	0.66	0.79
Drafts/T.T in transit/Cheques in hand	10.30	4.76
Balances with Scheduled Banks		
In Current Account	31.81	13.21
In Current Account (Foreign Currency)	0.68	0.69
In Unpaid Dividend Account	2.19	1.98
In Fixed Deposit Account (Receipts deposited as security Rs. 3.43 million) (Previous year Rs. 2.59 million)	205.92	2.59
	251.56	24.02
LOANS & ADVANCES		
Advances (Recoverable in cash or in kind or for value to be received and/or pending adjustments)		
(Unsecured, Considered Good)		
For purchase of Goods (including Capital items Rs. 4.66 million) (Previous Year Rs. 8.15 million)	92.94	52.54
Considered Doubtful	0.13	0.14
Less: Provision	0.13	0.14
	-	-
Under Litigation	0.92	0.92
Less: Provision	0.92	0.92
	-	-
Other Advances	40.05	38.34
Considered Doubtful	-	0.05
Less: Provision	-	0.05
	-	-
Under Litigation	0.60	0.60
Less: Provision	0.60	0.60
	-	-

SCHEDULES TO THE BALANCE SHEET

(Rs. in million)

	31.3.2011	31.3.2010
To Staff	2.25	4.34
Assets held for disposal	4.14	-
Interest and Dividend Receivable	2.58	0.63
Balance with Central Excise and other Government Authorities	76.37	50.71
Income & Wealth Tax Payments and		
Tax Deducted at Source less Provision	66.34	45.33
Export Benefits and Claims Receivable	51.66	15.73
Considered Doubtful	0.21	-
Less: Provision	0.21	-
	-	-
Deposits(Unsecured, Considered Good)	31.57	31.18
Considered Doubtful	0.73	-
Less: Provision	0.73	-
	-	-
	367.90	238.80
	1,924.85	1,360.19

SCHEDULE 'I'
CURRENT LIABILITIES & PROVISIONS

	31.3.2011	31.3.2010
CURRENT LIABILITIES		
Sundry Creditors		
Micro, Small & Medium Enterprises	-	-
Others	498.47	437.04
Customers' Credit Balances	42.91	52.58
Security and Trade Deposits	14.96	16.61
Investor Education & Protection Fund shall be credited by:		
Unclaimed Dividend	2.19	1.98
Interest accrued but not due	8.94	4.05
	567.47	512.26
PROVISIONS		
For Gratuity	114.71	93.88
For Accrued Leave	18.49	16.64
For Premium on Redemption of FCCBs	382.40	295.07
For Proposed Dividend	281.48	84.44
For Dividend Tax	45.21	8.77
	842.29	498.80

SCHEDULES TO THE PROFIT & LOSS ACCOUNT

(Rs. in million)

	2010-2011	2009-2010
SCHEDULE 'J'		
NET SALES		
Gross Sales	6,260.44	5,383.61
Less: Inter Unit Transfer	1,023.86	859.71
Excise Duty	384.34	312.09
	4,852.24	4,211.81

	2010-2011	2009-2010
SCHEDULE 'K'		
OTHER INCOME		
Rent	3.94	1.85
Income from Long term Investments (Gross)		
Dividend	0.08	31.70
Interest (Gross) (Tax deducted at source Rs. 0.46 million) (Previous Year Rs.0.05 million)		
On Fixed Deposits with Banks	5.06	0.24
From Others	1.95	2.76
	7.01	3.00
Miscellaneous Receipts and Others (Refer Note No.B.5 Schedule-'R')	75.80	71.44
Profit on Fixed Assets sold/discarded (Net)	-	17.16
	86.83	125.15

	2010-2011	2009-2010
SCHEDULE 'L'		
INCREASE/(DECREASE) IN STOCKS		
Closing stock		
Finished Goods	135.25	133.26
Work-in-Process	43.12	37.97
Power banked with UPPCL	0.41	-
	178.78	171.23
Deduct:		
Opening Stock		
Finished Goods	133.26	194.11
Work-in-Process	37.97	35.61
Power banked with UPPCL	-	11.27
	171.23	240.99
	7.55	(69.76)
Increase/(Decrease) in Excise Duty on Stocks	0.71	0.94
	8.26	(68.82)

SCHEDULES TO THE PROFIT & LOSS ACCOUNT

(Rs. in million)

	2010-2011	2009-2010
SCHEDULE 'M'		
RAW MATERIALS CONSUMED		
Opening Stock	181.45	120.54
Add : Purchases	2,092.62	1,748.79
	2,274.07	1,869.33
Less: Closing Stock	290.77	181.45
	1,983.30	1,687.88
SCHEDULE 'N'		
MANUFACTURING EXPENSES		
Consumption of Stores & Spare parts etc.	157.77	133.39
Other Manufacturing Expenses	14.33	8.11
Power & Fuel	859.86	781.24
Repairs to		
Plant & Machinery	133.61	97.48
Buildings	22.50	21.40
Others	11.00	8.75
Water Charges & Cess	17.13	11.83
	1,216.20	1,062.20
SCHEDULE 'O'		
EMPLOYEES COST		
Salaries, Wages, Bonus & Gratuity etc. (including payments to Contractors)	329.09	289.24
Contribution to Provident Fund	20.81	19.06
Welfare Expenses	25.66	24.17
	375.56	332.47
SCHEDULE 'P'		
SELLING, ADMINISTRATIVE & OTHER EXPENSES		
Rates & Taxes (including Provision for wealth tax Rs. 0.13 million) (Previous Year Rs.0.14 million)	5.04	5.06
Rent	15.83	14.85
Insurance	17.85	11.97
Legal and Professional Charges	18.64	17.41
Miscellaneous Expenses	69.85	63.57
Foreign Exchange Rate Fluctuation	0.87	-
Loss on Commodity Future Trade	0.31	-
Commission & Brokerage to Others	30.84	24.97
Freight, Handling & Other Charges	161.04	107.77
Directors' Fees	0.49	0.72
Travelling Expenses (including Directors' Travelling Rs. 5.46 million) (Previous Year Rs. 3.32 million)	18.68	17.11
Charity & Donations	0.22	0.12
Sales/Turnover Tax (net)	0.03	0.00
Payment to Auditors (Refer Note No.B.6 Schedule-'R')	2.06	1.84
Directors' Remuneration (Refer Note No.B.7 Schedule-'R')	22.34	27.40
Provision for bad & doubtful Debts & Advances (net)	(5.47)	2.11
Unrealised Debts and Claims written off	9.79	3.11
Loss on Fixed Assets sold/discarded (Net)	55.57	-
Previous Years Adjustments (Net)	0.12	1.57
	424.10	299.58
SCHEDULE 'Q'		
INTEREST & FINANCE CHARGES		
On Fixed Loans	214.08	227.52
To Banks and Others	49.09	30.52
Finance/Bank Charges	44.99	27.15
	308.16	285.19
Less: Capitalised	75.51	52.84
	232.65	232.35

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R'
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention:

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

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

2. Use of Estimates:

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

3. Revenue Recognition:

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

   Sale of Certified Emission Reductions (CERs) is recognised as Income on the delivery of the CERs to the buyer(s).

4. Fixed Assets:

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

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

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

5. Depreciation/Amortisation:

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

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

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

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

6. Foreign Currency Transaction :

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

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

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

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R'
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS (Contd.)

7. Inventories:

Inventories are valued as under:-

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

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

The Cost has been arrived at using Weighted Average method.

8. Investments :

Long term Investments are stated at cost less provision, if any, for diminution, which is considered as permanent in nature. Current Investments are stated at cost or fair value whichever is lower.

9. Employee Benefits:

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

10. Taxation:

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

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

11. Borrowing Cost:

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

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

12. Impairment:`

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

13. Commodity hedging contracts :

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

14. Provisions, Contingent Liabilities and Contingent Assets:

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

SCHEDULE 'R' (Contd.)
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS
B. NOTES ON ACCOUNTS

(Rs. in million)

			2010-2011	2009-2010
1.	Contingent Liabilities not provided for in respect of:			
	(a) Outstanding Bank Guarantees		73.59	78.16
	(b) Claims/Disputed liabilities not acknowledged as debt			
	Nature of Contingent Liability	Status Indicating Uncertainties		
	Demand notice issued by Central Excise Department	The matter is pending with Asstt. Commissioner of Central Excise	1.20	1.20
	Demand notices issued by Central Excise Department	The matter is pending with Allahabad High Court (Paid Rs. 0.43 million)	0.95	1.05
	Demand notices issued by Central Excise Department	The matter is pending with Commissioner (Appeal) (Paid Rs. 2.50 million)	8.67	0.77
	Demand notices issued by Central Excise Department	The matter is pending with CESTAT (Paid Rs. 0.20 million)	69.99	42.27
	Demand notice issued by Custom Department	The matter is pending with Asstt. Commissioner of Custom (Paid Rs. 0.31 million)	0.43	0.43
	Entry tax demand issued by assessing authority	The matter is pending with Allahabad High Court (Paid Rs. 2.53 million)	9.06	16.02
	Sales tax demands issued by assessing authority	The matter is pending with Joint Commissioner (Appeal)	-	8.39
	Sales tax demands issued by assessing authority	The matter is pending with Allahabad High Court (Paid Rs. 0.16 million)	4.51	-
	VAT demands issued by assessing authority	The matter is pending with Value Added Tax Tribunal (paid Rs. 0.43 million)	0.43	1.56
	Income tax demands issued by DCIT	The matter is pending with CIT (Appeal) (Disallowance u/s 80IA Rs.163.36 million)	175.99	29.38
2.	Corporate Guarantee given to Gujarat Industrial Development Corporation for securing loan by Bharuch Eco -Aqua Infrastructure Limited.		11.63	11.63
3.	Estimated amount of contracts remaining to be executed on capital account and not provided for		27.07	409.25
	Advances paid		4.67	37.13
4.	Addition to Fixed Assets & Capital Work-in-Progress includes borrowing cost, pre-operative and trial-run expenses for the year:			
	Raw Material consumed		5.60	-
	Power & Fuel		4.24	0.37
	Maintenance Charges		0.93	1.25
	Salaries, Wages, Bonus & Gratuity etc.		6.66	3.62
	Contribution to Provident Fund		0.37	0.24
	Staff & Workers welfare expenses		0.02	0.38
	Rates & Taxes		0.18	3.15
	Rent		0.11	0.17
	Insurance premium		0.44	0.21
	Legal & Professional Charges		1.61	5.44
	Miscellaneous expenses		2.33	1.42
	Travelling expenses		2.56	4.28
	Interest & Fund raising cost (net)		75.51	52.84
			100.56	73.37
	Less: Revenue from trial-run Production		9.40	-
			91.16	73.37
5.	Miscellaneous receipts and others consist of:			
	Miscellaneous Sales		26.30	17.44
	Insurance and other claims		11.31	3.79
	Export benefits		28.35	16.33
	Other receipts		1.37	1.66
	Foreign exchange rate fluctuation		-	15.41
	Income from Commodity future Trade		-	4.67
	Liabilities no longer required written back		8.47	12.14
			75.80	71.44

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R' (Contd.)
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

(Rs. in million)

	2010-2011	2009-2010
6. Auditors' Remuneration:		
(a) Statutory Auditors		
Audit Fees	0.85	0.75
For Certificates & Others	0.70	0.62
For Travelling and out of pocket expenses	0.29	0.25
(b) Cost Auditors		
Audit Fees	0.09	0.08
For Travelling and out of pocket expenses	0.01	0.01
(c) Tax Auditors		
Audit Fees	0.12	0.13
	2.06	1.84
7. Details of Remuneration of Managing Director and Wholetime Directors debited to Directors' Remuneration Account:		
(i) Salary	10.06	9.07
(ii) Contribution to Provident Fund	1.21	1.09
(iii) Rent Allowance	4.20	3.77
(iv) Perquisites in cash or in kind	0.67	0.66
(v) Commission	6.20	12.81
	22.34	27.40
8. Calculation of net profit for computing the Director's Remuneration:		
Profit as per Profit & Loss Account	214.40	387.94
Add: Director's Remuneration	22.34	27.40
Director's Fees	0.49	0.72
Provision for bad & doubtful debts & advances (net)	(5.47)	2.11
Wealth Tax Provision	0.13	0.14
	231.89	418.31
Less: Liabilities no longer required written back	8.47	12.14
Net Profit for the year u/s 349	223.42	406.17
Commission @ 2% of net profit to Managing Director*	1.90	8.12
Commission @ 1% of net profit to Managing Director (Designate)-Chloro Chemicals restricted to his annual salary	2.23	2.78
Commission @ 1% of net profit to Wholetime Director restricted to his annual salary	2.07	1.91

* In terms of Section 198 read with Section 309 of the Companies Act, 1956 the overall managerial remuneration to the directors shall not exceed 10% of the Net Profit of the Company computed in accordance with Section 349 of the Companies Act, 1956. As the overall remuneration as per the agreement with the directors was exceeding 10%, the commission payable to the Managing Director as agreed by him and noted in the Board Meeting, has been reduced to Rs. 1.90 million as against Rs. 4.47 million payable in terms of the agreement.

	2010-2011	2009-2010
9. C.I.F. Value of Imports :		
Raw Materials	348.22	328.02
Stores and Spares	37.55	49.20
Capital Goods	57.79	4.92
Others	84.71	-
10. Expenditure in foreign currency (Paid/provided) :		
Travelling	1.89	4.34
Commission	1.28	1.64
Finance/Bank Charges	1.21	10.96
Premium on Redemption of FCCBs	90.53	85.03
Professional Charges	2.01	4.59
Technical know how	5.18	0.62
Others	2.52	1.64
11. Earnings in Foreign Currency:		
F.O.B. Value of Exports	466.50	482.06
Others	2.50	-
12. In the absence of revaluation reserve, depreciation on revalued assets has been charged to Profit & Loss Account.	3.34	4.24
13. Earnings Per Share		
(a) Net Profit available to Equity Shareholders	169.79	279.75
(b) Weighted average number of Equity Shares for EPS calculation		
Number of Equity Shares for basic EPS	56,296,500	56,296,500
Number of potential Equity Shares on conversion of FCCBs	20,682,090	20,682,090
Number of Equity Shares for Diluted EPS	76,978,590	76,978,590
(c) Earnings per Share		
Basic (Rupees)	3.02	4.97
Diluted (Rupees)	2.21	3.63

SCHEDULE 'R' (Contd.)

(Rs. in million)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

14. The Company had issued 200 0% Foreign Currency Convertible Bonds (FCCB) of USD 100,000 each aggregating to USD 20 million, at par, on May 31, 2006. These Bonds are convertible into Equity Shares of Rs.5/- each fully paid, till May 27, 2011 at the option of the bondholder. Unless converted, these Bonds are redeemable on June 07, 2011 at 144.715 percent of their principal amount. The premium up to 31st March, 2011 amounting to Rs. 382.40 million has been accounted for under Provisions.

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

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

16. There are no Micro, Small & Medium Enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2011. This information is required to be disclosed under the Micro, Small & Medium enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

17. The Company has exited from Joint Venture with Soluciones Extractivas Alimentarias S.L.A, Spain (Solutex) by an agreement dated 1st March, 2011. As per the terms of agreement the entire investment in Minerva Flavours & Fragrance Private Limited, the Joint Venture Company, will be transferred at face value (at cost) to a wholly owned subsidiary of Solutex by 24th September, 2011. During the year under review Equity Shares of the face value of Rs. 5.30 million has already been transferred leaving a balance investment of Rs. 10.99 million.

18. As per Business Transfer Agreement dated 16th April, 2011 the Company has divested its Chloro Chemicals Division to Aditya Birla Chemicals (India) Ltd. on a slump sale basis at the close of business hours on 23rd May, 2011 for a Cash consideration of Rs. 8.30 billion.

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

	2010-2011		2009-2010	
Description	**Leave Encashment**	**Gratuity**	**Leave Encashment**	**Gratuity**
Change in Obligation over the year ended 31-03-2011				
- Present Value of Defined Benefit Obligation as on 01-04-2010	**16.64**	**93.88**	**14.57**	**85.14**
- Employer Service Cost	1.56	6.67	1.83	6.03
- Interest Cost	1.40	8.35	1.17	6.71
- Curtailment Cost / (Credit)	-	-	-	-
- Settlement Cost / (Credit)	-	-	-	-
- Plan Amendments	-	-	-	-
- Acquisitions	-	-	-	-
- Actuarial (gains) / losses	1.22	16.15	1.16	4.66
- Benefits paid	(2.33)	(10.34)	(2.09)	(8.66)
- Present Value of Defined Benefit Obligation as on 31-03-2011	**18.49**	**114.71**	**16.64**	**93.88**
Expenses recognized during the year 2010-11				
- Employer Expenses	1.56	6.67	1.83	6.03
- Interest Cost	1.40	8.35	1.17	6.71
- Curtailment Cost / (Credit)	-	-	-	-
- Settlement Cost / (Credit)	-	-	-	-
- Actuarial (gains) / losses	1.22	16.15	1.16	4.66
Total	**4.18**	**31.17**	**4.16**	**17.40**
Principal Actuarial Assumptions				
Discount rate (based on the market yields available on Government bonds at the accounting date with a term that matches that of the liabilities)	8.00%		7.50%	
Salary increase (taking into account inflation, seniority, promotion and other relevant factors)	5%		5%	

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

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

(Rs. in million)

In respect of Defined contribution schemes -

The guidance notes on implementation of AS-15 (revised) issued by the ICAI states that provident fund set up by the employers, which require interest shortfall to be met by the employers, needs to be treated as defined benefit plan. The company has made provision for interest shortfall of Rs.0.42 million for the year. With regard to future obligation arising due to interest shortfall, pending issuance of the guidance notes from Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the provident fund liability. The Company contributes 12% of salary for all eligible employees towards Provident Fund managed either by approved trusts or by the Central Government. The amount debited to Profit and Loss account during the year was Rs. 20.81 million (previous year Rs. 19.06 million).

20. Related Party Disclosures:

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

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

* Exited from Joint Venture vide an agreement dated 1st March, 2011

(ii) Transaction with related parties:

Nature of Transaction	2010-2011		2009-2010	
	Subsidiary	Joint Venture	Subsidiary	Joint Venture
Dividend Received	-	-	31.62	-
Sale of Land	-	-	-	16.29
Investment	-	-	-	12.34
Share Application Money	-	-	-	3.95
Balances (due to)/due from	-	-	-	-

SCHEDULE 'R' (Contd.)
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

(Rs. in million)

Nature of Transaction	2010-2011			2009-2010		
	Key Management Personnel	Relative of Key Management Personnel	Enterprises over which Key Management Personnel exercises significant influence	Key Management Personnel	Relative of Key Management Personnel	Enterprises over which Key Management Personnel exercises significant influence
Remuneration						
Mr. R. V. Kanoria	10.52	-	-	16.07	-	-
Mr. J. P. Sonthalia	5.79	-	-	6.00	-	-
Mr. T. D. Bahety	6.03	-	-	5.33	-	-
Mr. S. V. Kanoria	-	2.92	-	-	2.25	-
Mrs. V. Kanoria	-	0.27	-	-	-	-
Dividend Paid						
Mr. R. V. Kanoria	0.65	-	-	0.65	-	-
Mr. S. V. Kanoria	-	0.83	-	-	0.83	-
Others	0.00	-	-	0.00	-	-
Sale of Goods						
KPL International Limited	-	-	3.65	-	-	0.77
Commission Paid						
KPL International Limited	-	-	0.02	-	-	-
Rent received						
KPL International Limited	-	-	1.34	-	-	0.21
Rent Paid						
KPL International Limited	-	-	3.27	-	-	2.89
Payment for Business acquisition						
Prajapati Chemicals & Allieds Limited	-	-	-	-	-	22.50
Security Deposit Received						
KPL International Limited	-	-	0.05	-	-	0.05
Security Deposit Paid						
KPL International Limited	-	-	-	-	-	1.20
Balances due from	-	-	1.32	-	-	1.97
Balances due to	6.20	0.34	0.02	12.81	0.23	0.05

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R' (Contd.)

(Rs. in million)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

21. Consumption of Raw Materials and Spares & Components:

	Consumption of Raw Materials				Consumption of Spares and Components			
	2010-2011		2009-2010		2010-2011		2009-2010	
		%		%		%		%
Imported	330.55	17	362.14	21	29.70	39	29.84	45
Indigenous	1,652.75	83	1,325.74	79	46.92	61	36.57	55
	1,983.30	100	1,687.88	100	76.62	100	66.41	100

22. Raw Materials Consumed :

	2010-2011		2009-2010	
	Quantity M.T.	Value	Quantity M.T.	Value
Salt	119,698	250.99	134,962	282.30
Chemical Lime	14,742	75.72	15,382	68.27
Aluminium Ingot	2,871	320.39	2,537	240.93
Normal Paraffin	4,218	287.18	5,405	290.63
Methanol	36,012	545.35	32,814	409.96
Molasses	50,161	181.68	15,852	97.80
Others	-	321.99	-	297.99
		1,983.30		1,687.88

SCHEDULE 'R' (Contd.)
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

23. Segment Reporting:

(A) Primary Segment Information (by Business Segment)

(Rs. in million)

Business Segment	2010-2011 Chloro Chemicals	Alco Chemicals	Total	2009-2010 Chloro Chemicals	Alco Chemicals	Total
Segment Revenue						
External Sales (net of excise)	3,233.60	1,618.64	4,852.24	3,031.76	1,180.05	4,211.81
Inter/Intra Segment Sales	1,023.86	-	1,023.86	859.71	-	859.71
Total:	**4,257.46**	**1,618.64**	**5,876.10**	**3,891.47**	**1,180.05**	**5,071.52**
Segment Result						
(Profit before Interest & Tax)	495.78	46.96	542.74	470.93	64.61	535.54
Less: (i) Interest & Finance Charges			232.65			232.35
(ii) Other Un-allocable expenditure net off Un-allocable income (including exceptional items)			95.69			(84.75)
Profit before Tax			214.40			387.94
Add : Taxation for earlier years			-			0.71
Less: Provision for Taxation - Current			42.29			62.28
- Deferred			2.32			46.62
Net Profit:			**169.79**			**279.75**
Other Information						
Segment Assets	5,106.41	2,434.39	7,540.80	5,402.74	1,586.39	6,989.13
Un-allocable Corporate Assets			425.10			191.16
Total Assets:			**7,965.90**			**7,180.29**
Segment Liabilities	471.33	177.35	648.68	454.66	138.60	593.26
Un-allocable Corporate Liabilities			761.08			417.80
Total Liabilities:			**1,409.76**			**1,011.06**
Segment Capital Employed	4,635.08	2,257.04	6,892.12	4,948.08	1,447.79	6,395.87
Un-allocable Capital Employed			(335.98)			(226.64)
Total Capital Employed:			**6,556.14**			**6,169.23**
Capital Expenditure	79.86	1,040.28	1,120.14	179.11	79.48	258.59
Un-allocable Capital Expenditure			18.58			3.04
Total Capital Expenditure:			**1,138.72**			**261.63**
Depreciation & Amortisation	327.82	77.60	405.42	326.89	67.80	394.69
Un-allocable Depreciation			4.91			4.87
Total Depreciation & Amortisation:			**410.33**			**399.56**
Other Non-cash expenses	-	-	-	-	-	-

(B) Secondary Segment information (by Geographical demarcation)

Geographical Segment ------->	2010-2011 India	Rest of the World	Total	2009-2010 India	Rest of the World	Total
Segment Revenue	5,384.70	491.40	5,876.10	4,551.57	519.95	5,071.52
Segment Assets	7,930.85	35.05	7,965.90	7,156.46	23.83	7,180.29
Segment Liabilities	1,408.58	1.18	1,409.76	1,010.11	0.95	1,011.06
Capital Expenditure	1,138.72	-	1,138.72	261.63	-	261.63

(C) Other Disclosures

Basis of pricing inter/Intra segment transfer and any change therein:
At prevailing market-rate at the time of transfers.

Segment Accounting Policies

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

Type of products included in each reported business segment:

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

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

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

(Rs. in million)

Particulars	Installed Capacity per annum	Actual Production		Sales (including trading sales)			
		2010-11	2009-10	2010-11		2009-10	
				Qty.	Value	Qty.	Value
	M.T.	M.T.	M.T.	M.T.		M.T.	
1) Caustic Soda 100% (NaOH)	115,000	76,481	83,194	74,818 10	1,411.62 0.17 **	81,597 8	1,656.79 0.13 **
By-Products (a) Liquid Chlorine	93,000	57,702	65,334	29,539 5	164.87 0.03 **	34,121 4	55.04 0.01 **
(b) Hydrochloric Acid	22,700	45,954	45,864	30,711 23	42.90 0.03 **	32,918 16	11.30 0.01 **
2) Stable Bleaching Powder	30,000	17,990	19,074	18,201 4	211.92 0.05 **	18,965 3	195.04 0.03 **
3) Chlorinated Paraffins	20,000	9,213	12,217	9,028	438.96	12,730	497.72
4) Poly Aluminium Chloride (Different Grades)	45,000	28,478	25,240	19,930 20	142.52 0.13 **	17,606 13	120.82 0.08 **
5) Power Generation (Net) (Electricity)(MW/MU)	50	329.99	268.47	104.23 225.15	421.91 1,023.46 **	49.88 225.18	186.41 836.88 **
6) Aluminium Chloride	21,000	13,621	12,141	13,113	578.86	13,093	488.69
7) Salt (Salt Works)	-	-	-	-	-	24,535	22.57 **
8) Pentaerythritol	6,000	6,533	6,505	6,700	554.98	6,774	526.13
9) Sodium Formate	3,900	3,939	3,927	3,939	84.72	3,935	102.37
10) Acetaldehyde	10,000	4,680	3,533	2,072	95.07	848	41.13
11) Formaldehyde(37%)	180,000	82,647 *	75,510	42,733 *	395.26 *	34,766	276.10
12) Hexamine	4,000	5,556	5,790	5,561	300.62	5,792	291.81
13) Industrial Alcohol (KL)	22,500	12,100	4,209	3,600	98.71	420	13.67
14) Ethyl Acetate	3,300	2,743	67	2,742	131.75	70	3.41
15) Others					161.90 6,260.44		57.47 5,383.61
**Less: Inter Unit Transfer Excise Duty Net Sales					1,023.86 384.34 4,852.24		859.71 312.09 4,211.81

* Excludes Trial Run Production and Sales of 1006 MT for Rs. 9.40 million and same has been adjusted with pre-operative expenses.

Note: Licensed capacities are the same as Installed Capacities where Licence is required. Installed Capacities are as certified by the technical experts of the Company during installation and are same as in previous year except products under item No.4, 6 & 11.

PURCHASES

Particulars	2010-2011		2009-2010	
	Quantity in M.T.	Value	Quantity in M.T.	Value
Caustic Soda 100% (NaOH)	-	-	686	9.31
Liquid Chlorine	38	0.25	-	-
Methanol	4,850	88.98	-	-
		89.23		9.31

SCHEDULE 'R' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

25. Opening and Closing Stock of Goods:

(Rs. in million)

Particulars	1.4.2009			31.3.2010 & 1.4.2010		31.3.2011	
	Unit	Quantity	Amount	Quantity	Amount	Quantity	Amount
Caustic Soda 100% (NaOH)	M.T	848	15.29	1,184	18.99	906	14.68
By-Products : (a) Liquid Chlorine	M.T.	254	0.13	334	0.46	250	0.41
(b) Hydrochloric Acid	M.T.	569	0.20	267	0.18	620	0.42
Stable Bleaching Powder	M.T.	373	3.65	479	4.06	264	2.86
Chlorinated Paraffins	M.T.	1,113	38.49	600	22.05	785	35.11
Poly Aluminium Chloride (Different Grades)	M.T.	457	2.58	407	2.29	428	2.39
Power banked with UPPCL	M.U.	6.00	11.27	-	-	0	0.41
Aluminium Chloride	M.T.	1,547	51.83	595	18.39	1,115	39.44
Salt (Salt Works)	M.T.	39,419	15.23	10,494	3.73	8,112	3.01
Pentaerythritol	M.T.	497	35.98	228	19.16	61	9.58
Sodium Formate	M.T.	9	0.17	-	-	-	-
Acetaldehyde	M.T.	22	0.92	54	2.69	23	1.07
Formaldehyde (37%)	M.T.	729	5.04	935	6.23	731	6.36
Hexamine	M.T.	6	0.27	5	0.18	-	-
Industrial Alcohol	K.L.	606	13.73	958	24.01	468	10.67
Others		-	10.60	-	10.84	-	9.25
			205.38		133.26		135.66

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

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

SCHEDULES TO THE ACCOUNTS

SCHEDULE 'R' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

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

I. Registration Details :

Registration No.	: L24110WB1960PLCO24910	State Code	: 21
Balance Sheet Date	: 31.03.2011		

II. Capital Raised during the Year: (Rs. in million)

Public Issue	: NIL	Rights Issue	: NIL
Bonus Issue	: NIL	Private Placement	: NIL

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

Total Liabilities	: 6,556.14	Total Assets	: 6,556.14
Sources of Funds		Application of Funds	
Paid-Up Capital	: 281.50	Net Fixed Assets	: 5,973.24
Reserves & Surplus	: 1,951.45	Investments	: 67.81
Secured Loans	: 2,586.30	Net Current Assets	: 515.09
Unsecured Loans	: 1,199.08		
Deferred Tax (Net)	: 537.81		

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

Turnover(Gross Revenue)	: 4,939.06
Total Expenditure	: 4,724.66
Profit before Tax	: 214.40
Profit after Tax	: 169.79
Earning Per Share (Rs.) - Basic	: 3.02
- Diluted	: 2.21
Dividend Rate	: 100%

V. Generic Names of Three Principal Products of Company:

ITC Code No.	: 281512.00
Product Description	: Caustic Soda 100% (NaOH)
ITC Code No.	: 290542.00
Product Description	: Pentaerythritol
ITC Code No.	: 282732.00
Product Description	: Aluminium Chloride

Signatures to Schedules 'A' to 'R'

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

For and on behalf of the Board

RAJIV SINGHI
Partner
Membership No. 53518

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

Camp: New Delhi
Dated the 28th day of May, 2011

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

AUDITORS' REPORT

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

1. We have examined the attached Consolidated Balance Sheet of **KANORIA CHEMICALS & INDUSTRIES LIMITED** and its subsidiary (the group) as at 31st March, 2011 the Consolidated Profit and Loss Account for the year then ended and also the Consolidated Cash Flow Statement for the year ended on that date.

   These financial statements are the responsibility of KANORIA CHEMICALS & INDUSTRIES LIMITED's Management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the generally accepted auditing standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

2. We did not audit the financial statements of subsidiary, whose financial statements reflect total assets of Rs. 79.83 millions as at 31st March 2011, total revenues of Rs. 5.95 million and net cash flow of Rs. 1.29 million for the year then ended. The financial statement have been audited by other auditor whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.

3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, and other applicable accounting standards as notified by the Companies (Accounting Standard) Rules 2006 except as mentioned in paragraph 4 below.

4. Without qualifying our opinion, attention is drawn to following-:

   The company has not consolidated the proportionate portion of the profit and loss account of the joint venture M/S Minerva Flavours & Fragrance Private Limited, up to the date of exits i.e. 28th February 2011 for the reason stated in the note no C2 of the schedule Q.

5. We report that on the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of Kanoria Chemicals & Industries Limited and its subsidiary we are of the opinion that the said consolidated financial statements read with significant accounting policies in schedule Q and notes appearing thereon and paragraph 4 above, give a true and fair view in conformity with the accounting principal generally accepted in India:

   (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the group as at 31st march 2011;

   (b) in the case of Consolidated Profit and Loss Account, of the profit of the group for the year then ended and

   (c) in the case of Consolidated Cash Flow Statement, of the Cash Flow of the group for the year then ended.

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

Camp: New Delhi
1-B, Old Post Office Street, Kolkata
Dated, the 28th day of May 2011

RAJIV SINGHI
(Partner)
Membership No 53518

CONSOLIDATED BALANCE SHEET

AS AT 31ST MARCH 2011

(Rs. in million)

	Schedule	31.3.2011 Consolidated	31.3.2010 Interest in Joint Venture	31.3.2010 Consolidated
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	A	281.50	14.10	281.50
Share Application Money pending allotment		-	3.95	-
Reserves & Surplus	B	1,979.89	(0.21)	2,196.46
		2,261.39	17.84	2,477.96
Loan Funds				
Secured Loans	C	2,586.30	-	1,977.39
Unsecured Loans	D	1,199.08	-	1,175.97
		3,785.38	-	3,153.36
Deferred Tax (Net)	E	537.81	-	564.86
Total		6,584.58	17.84	6,196.18
APPLICATION OF FUNDS				
Fixed Assets	F			
Gross Block		9,393.08	0.34	8,514.17
Less : Depreciation		3,502.42	0.02	3,282.89
: Impairment		17.85	-	17.85
Net Block		5,872.81	0.32	5,213.43
Capital Work-in-Progress		100.45	7.78	545.63
		5,973.26	8.10	5,759.06
Investments		97.57	-	79.16
Current Assets, Loans & Advances	G			
Inventories		652.62	-	586.17
Sundry Debtors		652.77	-	511.20
Cash & Bank Balances		252.67	3.60	30.03
Loans & Advances		368.77	6.35	241.88
Less:		1,926.83	9.95	1,369.28
Current Liabilities & Provisions	H			
Liabilities		567.55	0.21	512.52
Provisions		845.53	-	498.80
		1,413.08	0.21	1,011.32
Net Current Assets		513.75	9.74	357.96
Total		6,584.58	17.84	6,196.18
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS	Q			

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

RAJIV SINGHI
Partner
Membership No. 53518
Camp: New Delhi
Dated the 28th day of May, 2011

For and on behalf of the Board

AMITAV KOTHARI, Director
R. V. KANORIA, Managing Director

N. K. NOLKHA, Chief Financial Officer
N. K. SETHIA, Company Secretary

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 2011

(Rs. in million)

	Schedule	2010-2011 Consolidated	2009-2010 Interest in Joint Venture	2009-2010 Consolidated
INCOME				
Net Sales	I	4,852.24	-	4,211.81
Other Income	J	92.74	0.03	118.86
Increase/(Decrease) in Stocks	K	8.26	-	(68.82)
		4,953.24	0.03	4,261.85
EXPENDITURE				
Raw Materials Consumed	L	1,983.30	-	1,687.88
Purchases		89.23	-	9.31
Manufacturing Expenses	M	1,216.20	-	1,062.20
Employees Cost	N	375.64	-	332.56
Selling, Administrative & Other Expenses	O	424.66	0.23	300.38
		4,089.03	0.23	3,392.33
Profit before Interest, Depreciation & Tax		864.21	(0.20)	869.52
Interest & Finance Charges	P	232.65	0.01	232.36
Profit before Depreciation & Tax		631.56	(0.21)	637.16
Depreciation & Amortisation		410.33	-	399.56
Profit before Exceptional items & Tax		221.23	(0.21)	237.60
Exceptional items (Refer Note No.C.9 Schedule-'Q')		(1.56)	-	143.15
Profit before Tax		219.67	(0.21)	380.75
Add: Taxation for earlier years		-	-	0.63
Less: Provision for Taxation - Current		43.04	-	66.28
- Deferred		2.32	-	46.62
Net Profit		174.31	(0.21)	268.48
Balance as per last Account		274.85	-	260.90
Adjustment of Interest in Joint Venture		0.21	-	-
		449.37	(0.21)	529.38
APPROPRIATIONS				
Proposed Dividend on Equity Shares		284.27	-	84.44
Provision for Dividend Tax		45.66	-	8.77
Dividend Tax Paid		-	-	5.14
Transfer to Special Reserve		0.91	-	4.12
Transfer to General Reserve		20.00	-	152.06
Balance Carried to Balance Sheet		98.53	(0.21)	274.85
		449.37	(0.21)	529.38
EARNINGS PER SHARE (Face Value Rs. 5 each) (Refer Note No.C.6 Schedule-'Q')				
- **BASIC (Rs.)**		3.10		4.77
- **DILUTED (Rs.)**		2.26		3.49
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS	Q			

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

RAJIV SINGHI
Partner
Membership No. 53518
Camp: New Delhi
Dated the 28th day of May, 2011

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2011

(Rs. in million)

	2010-2011	2009-2010	
	Consolidated	Interest in Joint Venture	Consolidated
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before Income Tax & Exceptional items	221.23	(0.21)	237.60
Adjustments for:			
Depreciation & Amortisation	410.33	-	399.56
Interest & Finance Charges	232.65	0.01	232.36
(Profit)/Loss on Sale of Fixed Assets (net)	55.57	-	(17.16)
(Profit)/Loss on Investment (net)	(3.42)	-	(23.68)
Interest Income	(8.13)	(0.03)	(3.06)
Dividend Income	(1.45)	-	(1.67)
Operating Profit before Working Capital changes	906.78	(0.23)	823.95
Adjustments for:			
Trade and Other receivables	(251.32)	(6.33)	65.33
Inventories	(66.45)	-	(87.94)
Trade Payables	159.94	0.21	52.08
Cash generated from Operations	748.95	(6.35)	853.42
Income Tax (Paid)/Received	(64.05)	-	(55.22)
NET CASH FROM OPERATING ACTIVITIES	684.90	(6.35)	798.20
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	(625.81)	(8.10)	(239.73)
Sale of Fixed Assets	13.11	-	23.81
Purchase of Investment	(21.23)	-	(29.70)
Sale of Investments	20.34	-	73.36
Interest received	6.21	0.01	3.87
Dividend received	1.45	-	1.67
NET CASH USED IN INVESTING ACTIVITIES	(605.93)	(8.09)	(166.72)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Equity Shares	-	14.10	-
Proceeds from Share Application Money	-	3.95	-
Proceeds from Long Term Borrowings (Net of repayments)	632.03	-	(319.25)
Foreign Exchange Fluctuation on FCCBs related transactions	(1.56)	-	143.15
Premium on Redemption of FCCBs	(90.53)	-	(85.03)
Dividend Paid (including Dividend Tax)	(93.22)	-	(103.93)
Interest & Finance Charges Paid	(303.26)	(0.01)	(285.56)
NET CASH USED IN FINANCING ACTIVITIES	143.46	18.04	(650.62)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	222.43	3.60	(19.14)
CASH AND CASH EQUIVALENTS - AS AT 01.04.2010	28.05	-	47.19
CASH AND CASH EQUIVALENTS - AS AT 31.03.2011	250.48	3.60	28.05

Notes:

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

Cash and Bank Balances	252.67	3.60	30.03
Less: Unpaid Dividend	2.19	-	1.98
Cash and Cash equivalents	250.48	3.60	28.05

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

c. Additions to Fixed Assets are stated inclusive of movements of capital work in progress in between beginning and end of the year and treated as part of Investing Activities.

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

RAJIV SINGHI
Partner
Membership No. 53518
Camp: New Delhi
Dated the 28th day of May, 2011

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

(Rs. in million)

	31.3.2011 Consolidated	31.3.2010 Interest in Joint Venture	31.3.2010 Consolidated
SCHEDULE 'A'			
SHARE CAPITAL			
SUBSCRIBED, CALLED AND PAID UP			
56,296,500 Equity Shares of Rs. 5 each fully paid-up	281.48	14.10	281.48
Add: Forfeited Shares (Amount paid up)	0.02	-	0.02
	281.50	14.10	281.50

Note: Of the above, following were allotted:

a) as fully paid Bonus Shares-
6,271,600 by capitalisation of General Reserve
18,765,500 by capitalisation of Capital Redemption Reserve

b) as fully paid Shares-
6,200 allotted pursuant to scheme of amalgamation

	31.3.2011 Consolidated	31.3.2010 Interest in Joint Venture	31.3.2010 Consolidated
SCHEDULE 'B'			
RESERVES & SURPLUS			
CAPITAL RESERVE			
As per last Balance Sheet	34.17	-	34.17
CAPITAL REDEMPTION RESERVE			
As per last Balance Sheet	9.67	-	9.67
SECURITIES PREMIUM ACCOUNT			
As per last Balance Sheet	695.42	-	752.20
Less: Premium on redemption of FCCBs (net of Deferred Tax)	61.16	-	56.78
	634.26	-	695.42
SPECIAL RESERVE			
As per last Balance Sheet	16.92	-	12.80
Add: Transfer from Profit & Loss Account	0.91	-	4.12
	17.83	-	16.92
GENERAL RESERVE			
As per last Balance Sheet	1,165.43	-	1,013.37
Add: Transfer from Profit & Loss Account	20.00	-	152.06
	1,185.43	-	1,165.43
PROFIT & LOSS ACCOUNT			
As per annexed Account	98.53	(0.21)	274.85
	1,979.89	(0.21)	2,196.46
SCHEDULE 'C'			
SECURED LOAN			
Term Loans			
From Banks	1,464.51	-	1,050.48
From Others	625.00	-	625.00
Vehicle Financing			
From Banks (against hypothecation of related Vehicles)	7.69	-	10.06
Working Capital Loans			
From Banks	489.10	-	291.85
	2,586.30	-	1,977.39

i) Term Loans aggregating Rs. 2,089.51 million are secured/to be secured by Division-wise first charge and mortgage by deposit of title deeds of immovable properties and hypothecation of movable fixed assets, both present and future, ranking pari passu with the mortgages and charges created in favour of other term lenders.

ii) Working Capital Loans aggregating Rs. 201.14 million are secured against division wise hypothecation of Stocks. Book Debts, Stores & second charge on all other assets and Rs.287.96 million are secured against hypothecation by way of a subservient charge on all current assets and movable fixed assets of Renukoot Unit.

iii) Instalments payable within one year Rs. 474.66 million.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

(Rs. in million)

	31.3.2011 Consolidated	31.3.2010 Interest in Joint Venture	31.3.2010 Consolidated
SCHEDULE 'D'			
UNSECURED LOAN			
Long Term			
Foreign Currency Convertible Bond (payable within one year)			
(Refer Note No.C.8 Schedule-'Q')	893.00	-	902.80
Short Term			
From Banks	306.08	-	273.17
	1,199.08	-	1,175.97
SCHEDULE 'E'			
DEFERRED TAX (NET)			
DEFERRED TAX LIABILITY			
Depreciation	673.74	-	664.87
DEFERRED TAX ASSETS			
Retirement Benefits	43.22	-	36.71
Premium on Redemption of FCCBs	85.81	-	54.41
Others	6.90	-	8.89
	135.93	-	100.01
	537.81	-	564.86

SCHEDULE 'F'
FIXED ASSETS

(Rs. in million)

PARTICULARS	GROSS BLOCK			DEPRECIATION			IMPAIRMENT		NET BLOCK		
	As at 31.3.2011	As at 31.3.2010		As at 31.3.2011	As at 31.3.2010		As at 31.3.2011	As at 31.3.2010	As at 31.3.2011	As at 31.3.2010	
	Consolidated	Interest in Joint Venture	Consolidated	Consolidated	Interest in Joint Venture	Consolidated	Consolidated	Consolidated	Consolidated	Interest in Joint Venture	Consolidated
TANGIBLE ASSETS											
Goodwill	0.02	-	0.02	-	-	-	-	-	0.02	-	0.02
Land & Site Development	436.29	0.26	205.38	-	-	-	-	-	436.29	0.26	205.38
Leasehold land & Site Development	19.78	-	19.78	4.61	-	4.43	-	-	15.17	-	15.35
Buildings	1,275.28	-	1,125.87	277.37	-	248.33	-	-	997.91	-	877.54
Plant & Machinery	7,325.53	-	6,866.67	3,088.81	-	2,894.72	17.85	17.85	4,218.87	-	3,954.10
Railway Siding & Weigh Bridge	64.15	-	62.97	14.91	-	12.61	-	-	49.24	-	50.36
Vehicles and Fork Lifts	105.50	-	95.34	42.03	-	39.34	-	-	63.47	-	56.00
Furniture & Fixture, Office & Laboratory Equipments etc.	153.18	0.08	130.77	69.62	0.02	81.57	-	-	83.56	0.06	49.20
INTANGIBLE ASSETS											
Computer Software	13.35	-	7.37	5.07	-	1.89	-	-	8.28	-	5.48
	9,393.08	0.34	8,514.17	3,502.42	0.02	3,282.89	17.85	17.85	5,872.81	0.32	5,213.43
Capital Work-in-Progress									100.45	7.78	545.63
TOTAL									5,973.26	8.10	5,759.06
Figures for the corresponding Previous year	8,514.17	-	8,294.09	3,282.89	-	2,918.55	17.85	17.85	5,759.06	-	5,872.70

NOTES:

1. Land & Site Development includes forest products on Land and Plantation Rs. 7.75 million.
2. Capital Work-in-Progress includes project advances Rs. 6.46 million (Previous year Rs. 28.98 million).
3. Fixed Assets of the Company, excluding some minor items, were revalued by approved valuer on Net Current Replacement Basis on 31st March, 1992 and thereby the value of Fixed Assets increased with corresponding credit to Revaluation Reserve. Net Block as on 31st March, 2011 includes Revalued amount of Rs. 118.90 million.

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

(Rs. in million)

	31.3.2011 Consolidated	31.3.2010 Interest in Joint Venture	31.3.2010 Consolidated
SCHEDULE 'G'			
CURRENT ASSETS, LOANS & ADVANCES			
INVENTORIES			
(as certified by the Management)			
Stores and Spare Parts etc.(including Machinery Spares of Irregular Use Rs. 0.34 million)(Previous Year Rs. 0.43 million)	133.16	-	137.21
Coal and Fuel at Power Plant	49.91	-	96.28
Raw Materials	290.77	-	181.45
Finished Goods	135.25	-	133.26
Work-in-Process	43.12	-	37.97
Power banked with UPPCL	0.41	-	-
	652.62	-	586.17
SUNDRY DEBTORS			
Debts outstanding for a period exceeding six months			
Considered Good			
Secured	0.25	-	0.41
Unsecured	30.16	-	21.16
Considered Doubtful	6.70	-	18.28
Less: Provision	6.70	-	18.28
	-		-
Under Litigation	11.95	-	6.75
Less: Provision	11.95	-	6.75
	-		-
Other Debts			
Considered Good			
Secured	0.19	-	0.94
Unsecured	622.17	-	488.69
	652.77	-	511.20
CASH AND BANK BALANCES			
Cash Balance (as certified)	0.67	0.00	0.81
Drafts/T.T in transit/Cheques in hand	10.30	-	4.76
Balances with Scheduled Banks			
In Current Account	32.91	0.09	15.69
In Current Account (Foreign Currency)	0.68	-	0.69
In Unpaid Dividend Account	2.19	-	1.98
In Fixed Deposit Account (Receipts deposited as security Rs. 3.43 million) (Previous year Rs. 2.59 million)	205.92	3.51	6.10
	252.67	3.60	30.03
CURRENT ASSETS, LOANS & ADVANCES			
LOANS & ADVANCES			
Advances (Recoverable in cash or in kind or for value to be received and/or pending adjustments)			
(Unsecured, Considered Good)			
For purchase of Goods (including Capital items Rs. 4.66 million) (Previous Year Rs. 8.15 million)	92.94	-	52.54
Considered Doubtful	0.13	-	0.14
Less: Provision	0.13	-	0.14
	-	-	-
Under Litigation	0.92	-	0.92
Less: Provision	0.92	-	0.92
	-		-
Other Advances	40.44	6.18	40.78
Considered Doubtful	-	-	0.05
Less: Provision	-	-	0.05
	-		-
Under Litigation	0.60	-	0.60
Less: Provision	0.60	-	0.60
	-		-

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

(Rs. in million)

SCHEDULE 'G'
CURRENT ASSETS, LOANS & ADVANCES (Contd.)

	31.3.2011	31.3.2010	
	Consolidated	Interest in Joint Venture	Consolidated
To Staff	2.25	-	4.34
Assets held for disposal	4.14	-	-
Interest and Dividend Receivable	3.15	0.02	1.23
Balance with Central Excise and other Government Authorities	76.37	0.14	50.84
Income & Wealth Tax Payments and Tax Deducted at Source less Provision	66.25	0.00	45.24
Export Benefits and Claims Receivable	51.66	-	15.73
Considered Doubtful	0.21	-	-
Less: Provision	0.21	-	-
	-	-	-
Deposits(Unsecured, Considered Good)	31.57	0.01	31.18
Considered Doubtful	0.73	-	-
Less: Provision	0.73	-	-
	-	-	-
	368.77	6.35	241.88
	1,926.83	9.95	1,369.28

SCHEDULE 'H'
CURRENT LIABILITIES & PROVISIONS

	31.3.2011	31.3.2010	
	Consolidated	Interest in Joint Venture	Consolidated
CURRENT LIABILITIES			
Sundry Creditors			
Micro, Small & Medium Enterprises	-	-	-
Others	498.55	0.21	437.30
Customers' Credit Balances	42.91	-	52.58
Security and Trade Deposits	14.96	-	16.61
Investor Education & Protection Fund shall be credited by:			
Unclaimed Dividend	2.19	-	1.98
Interest accrued but not due	8.94	-	4.05
	567.55	0.21	512.52
PROVISIONS			
For Gratuity	114.71	-	93.88
For Accrued Leave	18.49	-	16.64
For Premium on Redemption of FCCBs	382.40	-	295.07
For Proposed Dividend	284.27	-	84.44
For Dividend Tax	45.66	-	8.77
	845.53	-	498.80

SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT

(Rs. in million)

SCHEDULE 'I'
NET SALES

	2010-2011	2009-2010	
	Consolidated	Interest in Joint Venture	Consolidated
Gross Sales	6,260.44	-	5,383.61
Less: Inter Unit Transfer	1,023.86	-	859.71
Excise Duty	384.34	-	312.09
	4,852.24	-	4,211.81

SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT

(Rs. in million)

	2010-2011	2009-2010	
	Consolidated	Interest in Joint Venture	Consolidated
SCHEDULE 'J'			
OTHER INCOME			
Rent	3.94	-	1.85
Income from Long term Investments (Gross)			
Dividend	1.45	-	1.67
Interest (Gross) (Tax deducted at source Rs. 0.57 million) (Previous Year Rs.0.05 million)			
On Fixed Deposits with Banks	5.06	0.03	0.27
From Others	3.07	-	2.79
	8.13		3.06
Miscellaneous Receipts and Others	75.80	-	71.44
Profit on Sale of Investments (Net)	3.42	-	23.68
Profit on Fixed Assets sold/discarded (Net)	-	-	17.16
	92.74	0.03	118.86
SCHEDULE 'K'			
INCREASE/(DECREASE) IN STOCKS			
Closing stock			
Finished Goods	135.25	-	133.26
Work-in-Process	43.12	-	37.97
Power banked with UPPCL	0.41	-	-
	178.78	-	171.23
Deduct:			
Opening Stock			
Finished Goods	133.26	-	194.11
Work-in-Process	37.97	-	35.61
Power banked with UPPCL	-	-	11.27
	171.23	-	240.99
	7.55	-	(69.76)
Increase/(Decrease) in Excise Duty on Stocks	0.71	-	0.94
	8.26	-	(68.82)
SCHEDULE 'L'			
RAW MATERIALS CONSUMED			
Opening Stock	181.45	-	120.54
Add : Purchases	2,092.62	-	1,748.79
	2,274.07	-	1,869.33
Less: Closing Stock	290.77	-	181.45
	1,983.30	-	1,687.88
SCHEDULE 'M'			
MANUFACTURING EXPENSES			
Consumption of Stores & Spare parts etc.	157.77	-	133.39
Other Manufacturing Expenses	14.33	-	8.11
Power & Fuel	859.86	-	781.24
Repairs to			
Plant & Machinery	133.61	-	97.48
Buildings	22.50	-	21.40
Others	11.00	-	8.75
Water Charges & Cess	17.13	-	11.83
	1,216.20	-	1,062.20
SCHEDULE 'N'			
EMPLOYEES COST			
Salaries, Wages, Bonus & Gratuity etc. (including payments to Contractors)	329.17	-	289.32
Contribution to Provident Fund	20.81	-	19.06
Welfare Expenses	25.66	-	24.18
	375.64	-	332.56

SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT

(Rs. in million)

	2010-2011	2009-2010	
	Consolidated	Interest in Joint Venture	Consolidated
SCHEDULE 'O'			
SELLING, ADMINISTRATIVE & OTHER EXPENSES			
Rates & Taxes (including Provision for wealth tax Rs. 0.13 million) (Previous Year Rs.0.14 million)	5.05	0.11	5.17
Rent	15.83	-	14.85
Insurance	17.85	-	11.97
Legal and Professional Charges	19.10	0.01	17.76
Miscellaneous Expenses	69.89	0.00	63.74
Foreign Exchange Rate Fluctuation	0.87	-	-
Loss on Commodity Future Trade	0.31	-	-
Commission & Brokerage to Others	30.84	-	24.97
Freight, Handling & Other Charges	161.04	-	107.77
Directors' Fees	0.49	-	0.73
Travelling Expenses (including Directors' Travelling Rs. 5.46 million) (Previous Year Rs. 3.32 million)	18.68	-	17.11
Charity & Donations	0.22	-	0.12
Sales/Turnover Tax (net)	0.03	-	0.00
Payment to Auditors	2.11	0.10	1.99
Directors' Remuneration	22.34	-	27.40
Provision for bad & doubtful Debts & Advances (net)	(5.47)	-	2.11
Unrealised Debts and Claims written off	9.79	-	3.11
Preliminary expenses written off	-	0.01	0.01
Loss on Fixed Assets sold/discarded (Net)	55.57	-	-
Previous Years Adjustments (Net)	0.12	-	1.57
	424.66	0.23	300.38
SCHEDULE 'P'			
INTEREST & FINANCE CHARGES			
On Fixed Loans	214.08	-	227.52
To Banks and Others	49.09	-	30.52
Finance/Bank Charges	44.99	0.01	27.16
	308.16	0.01	285.20
Less: Capitalised	75.51	-	52.84
	232.65	0.01	232.36

SCHEDULE 'Q'
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

A. PRINCIPLES OF CONSOLIDATION

(a) The financial statements have been prepared to comply in all material aspects with applicable accounting principles in India, and the Accounting Standards as prescribed by Companies (Accounting Standards) Rule, 2006 issued by Ministry of Corporate Affairs.

(b) The Consolidated Financial Statements (CFS) relate to Kanoria Chemicals & Industries Limited (the Company), its subsidiary. The CFS have been prepared in accordance with the Accounting Standards - 21 on 'Consolidated Financial Statements' are prepared on the following principles:

(i) The financial statements of the company and its subsidiary are combined on a line by line basis by adding together the book value of the like items of assets, liabilities, income and expenses, after fully eliminating inter group balances and transactions. The difference between the company's cost of investments in the Subsidiary, over its portion of equity at the time of acquisition of shares is recognised in the CFS as Goodwill or Capital Reserve as the case may be.

(ii) The CFS are prepared by using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any to the extent possible, are made in the CFS and are presented in the same manner as the Company's separate financial statements except otherwise stated elsewhere in this schedule.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

SCHEDULE 'Q' (Contd.)
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

B. SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention:

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

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

2. Use of Estimates:

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

3. Revenue Recognition:

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

   Sales of certified Emission Reductions(CERs)is recgonised as Income on the delivery of the CERs to the buyer(s).

4. Fixed Assets:

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

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

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

5. Depreciation/Amortisation :

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

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

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

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

6. Foreign Currency Transaction :

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

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

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

SCHEDULE 'Q' (Contd.)
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

7. Inventories:

Inventories are valued as under:-

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

* Written off over the remaining useful life of the respective machinery.
# The Cost has been arrived at using Weighted Average method.

8. Investments:
Long term Investments are stated at cost less provision, if any, for diminution, which is considered as permanent in nature. Current Investments are stated at cost or fair value whichever is lower.

9. Employee Benefits:

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

10. Taxation:

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

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

11. Borrowing Cost:

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

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

12. Impairment:

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

13. Commodity hedging contracts:

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

14. Provisions, Contingent Liabilities and Contingent Assets:

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

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

SCHEDULE 'Q' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

C. NOTES ON ACCOUNTS

1. The consolidated financial statements comprise the financial statements of Kanoria Chemicals & Industries Limited and its subsidiary Pipri Limited (a wholly owned subsidiary) as on 31st March, 2011, country of incorporation is in India.
2. The Group has exited from Joint Venture with Soluciones Extractivas Alimentarias S.L.A, Spain (Solutex) by an agreement dated 1st March, 2011. As per the terms of agreement the entire investment in Minerva Flavours & Fragrance Private Limited, the Joint Venture Company, will be transferred at face value (at cost) to a wholly owned subsidiary of Solutex by 24th September, 2011. During the year under review Equity Shares of the face value of Rs. 7.20 million has already been transferred leaving a balance investment of Rs. 14.40 million. As the Company is not sharing any profit/loss and/or assets/liabilities of the JV Company, the financial statements of the JV have not been consolidated as it will have no impact on the CFS. However the same has been included in the previous year with an ownership interest of 26% in JV.

(Rs. in million)

	2010-2011	2009-2010	
	Consolidated	Interest in Joint Venture	Consolidated
3. Contingent Liabilities not provided for in respect of:			
(a) Outstanding Bank Guarantees	73.59		78.16
(b) Claims/Disputed liabilities not acknowledged as debt (paid Rs. 6.56 million)	271.23		101.07
4. Corporate Guarantee given to Gujarat Industrial Development Corporation for securing loan by Bharuch Eco -Aqua Infrastructure Limited.	11.63		11.63
5. Estimated amount of contracts remaining to be executed on capital account and not provided for	35.48	8.41	417.66
Advances paid	4.67		37.13
6. Earnings Per Share			
(a) Net Profit available to Equity Shareholders	174.31		268.48
(b) Weighted average number of Equity Shares for EPS calculation			
Number of Equity Shares for basic EPS	56,296,500		56,296,500
Number of potential Equity Shares on conversion of FCCBs	20,682,090		20,682,090
Number of Equity Shares for Diluted EPS	76,978,590		76,978,590
(c) Earnings per Share			
Basic (Rupees)	3.10		4.77
Diluted (Rupees)	2.26		3.49

SCHEDULE 'Q' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

7.Segment Reporting

(A) Primary Segment Information (by Business Segment)

(Rs. in million)

	2010-2011				2009-2010			
Business Segment	**Chloro Chemicals**	**Alco Chemicals**	**Others**	**Total**	**Chloro Chemicals**	**Alco Chemicals**	**Others**	**Total**
Segment Revenue								
External Sales(net of excise)/Revenue	3,233.60	1,618.64	-	4,852.24	3,031.76	1,180.05	-	4,211.81
Inter/Intra Segment Sales	1,023.86	-	-	1,023.86	859.71	-	-	859.71
Total:	**4,257.46**	**1,618.64**	**-**	**5,876.10**	**3,891.47**	**1,180.05**	**-**	**5,071.52**
Segment Result								
(Profit before Interest & Tax)	495.78	46.96	5.27	548.01	470.93	64.61	24.45	559.99
Less: (i) Interest				232.65				232.36
(ii) Other Un-allocable expenditure net off Un-allocable income (including exceptional items)				95.69				(53.12)
Profit before Tax				219.67				380.75
Add : Taxation for earlier years				-				0.63
Less: Provision for Taxation -Current				43.04				66.28
-Deferred				2.32				46.62
Net Profit:				**174.31**				**268.48**
Other Information								
Segment Assets	5,106.41	2,434.39	79.83	7,620.63	5,402.74	1,586.39	85.24	7,074.37
Un-allocable Corporate Assets				377.03				133.13
Total Assets:				**7,997.66**				**7,207.50**
Segment Liabilities	471.33	177.35	3.31	651.99	454.66	138.60	0.26	593.52
Un-allocable Corporate Liabilities				761.09				417.80
Total Liabilities:				**1,413.08**				**1,011.32**
Segment Capital Employed	4,635.08	2,257.04	76.52	6,968.64	4,948.08	1,447.79	84.98	6,480.85
Un-allocable Capital Employed				(384.06)				(284.67)
Total Capital Employed:				**6,584.58**				**6,196.18**
Capital Expenditure	79.86	1,040.28	-	1,120.14	179.11	79.48	0.34	258.93
Un-allocable Capital Expenditure				18.58				3.04
Total Capital Expenditure:				**1,138.72**				**261.97**
Depreciation & Amortisation	327.82	77.60	-	405.42	326.89	67.80	-	394.69
Un-allocable Depreciation				4.91				4.87
Total Depreciation:				**410.33**				**399.56**
Other Non-cash expenses	-	-	-	-	-	-	-	-

(B) Secondary Segment information (by Geographical demarcation)

Geographical Segment---------->	2010-2011			2009-2010		
	India	**Rest of the World**	**Total**	**India**	**Rest of the World**	**Total**
Segment Revenue	5,384.70	491.40	5,876.10	4,551.57	519.95	5,071.52
Segment Assets	7,962.61	35.05	7,997.66	7,183.67	23.83	7,207.50
Segment Liabilities	1,411.90	1.18	1,413.08	1,010.37	0.95	1,011.32
Capital Expenditure	1,138.72	-	1,138.72	261.97	-	261.97

(C) Other Disclosures

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

At prevailing market-rate at the time of transfers.

Segment Accounting Policies

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

Type of products included in each reported business segment:

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

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

SCHEDULE 'Q' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

8. The Company had issued 200 0% Foreign Currency Convertible Bonds (FCCB) of USD 100,000 each aggregating to USD 20 million, at par, on May 31st, 2006. These Bonds are convertible into Equity Shares of Rs.5/- each fully paid, till May 27th, 2011 at the option of the bondholder. Unless converted, these Bonds are redeemable on June 07, 2011 at 144.715 percent of their principal amount. The premium up to 31st March, 2011 amounting to Rs. 382.40 million has been accounted for under Provisions.

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

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

10. As per Business Transfer Agreement dated 16th April, 2011 the Company has divested its Chloro Chemicals Division to Aditya Birla Chemicals (India) Ltd. on a slump sale basis at the close of business hours on 23rd May, 2011 for a Cash consideration of Rs. 8.30 billion.

11. Related Party Disclosures:

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

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

* Exited from joint venture wide an agreement dated 1st March, 2011

(ii) Transaction with related parties:

(Rs. in million)

Nature of Transaction	2010-2011				2009-2010			
	Joint Venture	Key Management Personnel	Relative of Key Management Personnel	Enterprises over which Key Management Personnel exercises significant influence	Joint Venture	Key Management Personnel	Relative of Key Management Personnel	Enterprises over which Key Management Personnel exercises significant influence
Sale of Land	-	-	-	-	16.29	-	-	-
Remuneration	-	22.34	3.19	-	-	27.40	2.25	-
Dividend Paid	-	0.66	0.83	-	-	0.66	0.83	-
Sale of Goods	-	-	-	3.65	-	-	-	0.77
Commission Paid	-	-	-	0.02	-	-	-	-
Rent received	-	-	-	1.34	-	-	-	0.21
Rent Paid	-	-	-	3.27	-	-	-	2.89
Payment for Business acquisition	-	-	-	-	-	-	-	22.50
Security Deposit Received	-	-	-	0.05	-	-	-	0.05
Security Deposit Paid	-	-	-	-	-	-	-	1.20
Balances due from	-	-	-	1.32	-	-	-	1.97
Balances due to	-	6.20	0.34	0.02	-	12.81	0.23	0.05

SCHEDULE 'Q' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

12. Financial Information regarding Subsidiary Company - Pipri Limited, pursuant to general exemption under section 212(8) of the Companies Act, 1956.

(Rs. in million)

	2010-2011	2009-2010
(a) Capital	46.51	46.51
(b) Reserves	29.92	28.64
(c) Total Assets	2.07	3.19
(d) Total Liabilities	3.40	0.14
(e) Investments:		
Long Term-		
In Quoted Equity Shares	44.90	47.39
In Quoted Debentures	0.25	0.37
In Unquoted Debentures	10.00	-
In Unquoted Equity Shares	3.40	1.76
In Mutual Funds	8.31	7.90
Current-		
In Mutual Funds	10.90	14.68
Total	**77.76**	**72.10**
(f) Turnover (Gross Revenue)	5.95	25.33
(g) Profit before Taxation	5.27	24.66
(h) Provision for Taxation	0.75	4.00
(i) Profit after Taxation	4.52	20.66
(j) Proposed Dividend	2.79	30.23

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

Signatures to Schedules 'A' to 'Q'

For SINGHI & CO.
Chartered Accountants

RAJIV SINGHI
Partner
Membership No. 53518
Camp: New Delhi
Dated the 28th day of May, 2011

For and on behalf of the Board

AMITAV KOTHARI
Director

R. V. KANORIA
Managing Director

N. K. NOLKHA
Chief Financial Officer

N. K. SETHIA
Company Secretary