Meg

ANNUAL REPORT 2009-2010

BOARD OF DIRECTORS	:	SHRI BABULAL A. SINGHVI (CHAIRMAN)
		SHRI ASHOK A. SINGHVI
		SHRI JITENDRA S. SINGHVI
		SHRI MUKESH B. SINGHVI
		SHRI SANDEEP T. SINGHVI
		SHRI LEKHRAJ P. KANUNGO
		DR. SEEMA SHRIMAL
AUDITORS	:	M/S. M.B. SORATHIA & CO.
		CHARTERED ACCOUNTANTS
		21 AJANTA COMMERCIAL CENTRE
		NEAR HOTEL PRESIDENT
		GANDHIDHAM-KUTCH 370201
BANKERS	:	STATE BANK OF INDIA, AHMEDABAD
		PUNJAB NATIONAL BANK, GANDHIDHAM
WORKS	:	KANDLA & JAKHAU (KACHCHH)
REGISTERED OFFICE	:	48, PROSPECT CHAMBERS ANNEXE,
		5TH FLOOR,
		317, DR. DADABHOY NAOROJI ROAD,
		FORT, MUMBAI-400 001

NOTICE TO MEMBERS

NOTICE is hereby given that the **SIXTY ANNUAL GENERAL MEETING** of the members of **THE KUTCH SALT & ALLIED INDUSTRIES LIMITED** will be held on 30th September,2010 at 5:00 P.M at the Registered office of the Company situated at 48, Prospect Chambers Annexe, 5th Floor, 317, Dr. Dadabhoy Naoroji Road, Mumbai-400 001 to transact the following business: -

ORDINARY BUSINESS:

1. To receive, consider and, if approved, adopt the Audited Balance Sheet as at 31ST March, 2010, Profit & Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.

2. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

3. To appoint a director in place of **Shri Babulal A. Singhvi,** who retires by rotation and being eligible offers herself for re-appointment.

4. To appoint a director in place of **Shri Ashok A. Singhvi,** who retires by rotation and being eligible offers himself for re-appointment.

By order of the Board

Place : Gandhidham

Date : 16th August, 2010

(BABULAL A. SINGHVI)
CHAIRMAN

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/ herself and such proxy need not be a member of the company.

2. Proxy in order to be effective, should duly stamped, completed and signed and must be deposited at the registered office of the company not less than 48 hours before the time for holding the aforesaid meeting .

3. The members are requested to bring the copy of annual report along with them at the meeting.

4. The Register of members and Share Transfer Books of the company shall remain closed from 23rd September,2010 to 30th September,2010 (both days inclusive)

5. Members seeking any information with regard to the accounts at the time of the meeting are requested to write to the company at least 10days before the date of the meeting so as to enable the management to keep the relevant information ready.

By order of the Board

Place : Gandhidham

Date : 16th August, 2010 .

(BABULAL A. SINGHVI)
CHAIRMAN

DIRECTORS' REPORT

To,
The Members,
THE KUTCH SALT & ALLIED INDUSTRIES LIMITED
MUMBAI

Your directors are pleased to present their **SIXTY ANNUAL REPORT** together with audited accounts for the financial year ended 31st March, 2010 and Auditor's Report thereon.

(Rs. in Lacs)

1. FINANCIAL RESULTS	Current Year	Previous Year
Gross Income	8922.82	7351.03
Less: Total Expenditure	7141.91	7327.64
Profit/ Loss before Depreciation	1780.91	23.39
Less: Depreciation	807.15	409.14
Profit /(Loss) before Tax	973.76	(385.75)
Less : Provision for Tax		
Current Tax	184.00	--
Deferred Tax	330.98	(131.11)
Fringe Benefit Tax	--	0.11
Profit/ (Loss) After Tax	458.78	(254.75)
Add: Profit/(Loss) B/F from Previous year	(62.09)	191.61
Add: Excess Provision of Income Tax. written back	--	0.51
Add: Excess Provision of FBT written back	--	0.54
Balance carried to Balance Sheet	396.69	(62.09)

2. OPERATIONAL / PERFORMANCE REVIEW :-

The Company operates in three main business segments viz, Manufacturing, Trading & Power. Manufacturing division consists of production of salt only whereas in the trading division main commodity is of Iron ore.

Manufacturing division account for 48.75 %, Trading division account for 48.15 % and Power division account for 3.10 %of the total turnover of the Company for the year ended 31st March 2010 as compared to 37.58 % of Manufacturing division, 60.33 % of Trading division and 2.09% of power division of the Company for the year ended 31st March, 2009. The financial year 2009-10 has witnessed some improvement in the economies around the globe but the Iron Ore Industry still passing through bad phases. The Iron ore Industry across the globe is suffering severely from weaker demand. Presently the entire Iron ore industry is going through turbulent times. Indian Iron ore industry witnessed substantially decrease in the turnover due to over all slow down in demand particularly from major export destinations viz. China.

Inspite of such adverse factors turnover of your Company has increased to Rs.8922.82 lacs as against Rs. 7351.03 Lacs in the previous year; cash profit of Rs. 1780.91 Lacs as against Rs. 23.39 Lacs in the previous year and Profit after tax Rs.458.78 Lacs as against loss of Rs.254.75 lacs in the previous year.

The Business wise performance of each segment is as under :

Manufacturing : The Company has produced (Net of wastages etc.) 749903 MTS of salt as against 525415 Mts in the previous year. The total turnover of this segment has increased to Rs. 4309.22 Lacs as against Rs. 2760.64 Lacs in the previous year.

Trading : The Company has traded 64870 Mts. of Iron ore as against 112530 Mts. in the previous year. The total turnover of this segment has reduced to Rs. 3210.13 Lacs as against Rs. 4430.18 in the previous year.

Your management is trying hard to meet the prevailing challenges by focusing its efforts on further reduction of cost and by improving operational efficiencies. Your management is hopeful that company will improve its performance in the Coming periods.

3. **DEPOSITS**

During the year the Company has not accepted any deposits from the public.

4. **DIRECTORS**

Shri Babulal A. Singhvi and **Shri Ashok A. Singhvi** retires by rotation and being eligible, offers themselves for re-apointment.

5. **DIRECTOR'S RESPONSIBILITY STATEMENT** :-

(i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;

(ii) That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit/ Losses of the Company for that period.

(iii) That the directors took proper and sufficient care to maintain adequate accounting record 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 had prepared the annual accounts on a going concern basis.

6. **AUDIT COMMITTEE**

The company has already constituted an Audit Committee pursuant to the provisions of section 292A of the Companies Act, 1956 and clause 49 of the listing Agreement . The Audit Committee consists of Dr. Seema Shrimal, Mr. Jitendra S. Singhvi, Mr. Sandeep T. Singhvi as members and Mr. Lekhraj Kanungo is the Chairman of the committee.

7. **CORPORATE GOVERNANCE**

As per clause 49 of the listing agreement with the stock exchange, a separate report on corporate governance together with a certificate from the Company's Auditors confirming the compliance of the conditions of corporate governance is attached as Annexure–II to this report.

8. **AUDITORS**

The observations made in the Auditors' Report and Notes forming part of the Accounts are self-explanatory and requires no comments. M/s. M. B. Sorathia & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The Company has received a certificate from the Auditors as required under section 224(1B) of the Companies Act, 1956 to the effect that their appointment, if made, would be within the limits specified in the said section.

9. **PARTICULARS OF EMPLOYEES**

None of the employees of the company is covered under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule, 1975.

10. **ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE**

The particulars prescribed by the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 are furnished in the Annexure - I to this report.

11. LISTING

The equity share of the company are listed on Bombay Stock Exchange Ltd. (BSE). The Company has already paid listing fee for the financial year 2009-10 to BSE.

12. ACKNOWLEDGEMENT

Your directors would like to express their appreciation for the assistance and co-operation received from the financial institution, banks and shareholders. They also place on record their appreciation for the co-operation of employees at all levels.

For and on behalf of the Board of Directors

(BABULAL A. SINGHVI)
CHAIRMAN

Gandhidham, 16th August, 2010

ANNEXURE – I TO DIRECTORS' REPORT

Statement pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2010.

A.	DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY	:	Not applicable to salt industry.
B.	TECHNOLOGY ABSORPTION	:	
	(A) Research & Development	:	
	1) Specific areas in which R & D was carried out by the Company	:	As the Company manufactures salt through natural process of Solar evaporation the question of technology absorption, adoption and innovation does not arise. However, a testing laboratory is maintained for controlling the quality of salt.
	2) Benefits derived as a result of the above R & D	:	Does not arise
	3) Future plan of action	:	Does not arise
	4) Expenditure on R & D	:	
	a) Capital	:	Nil
	b) Recurring	:	Nil
	c) Total	:	**Nil**
	d) Total R & D expenditure as per percentage of total turnover	:	**Nil**
	(B) Technology absorption, adaptation and innovation	:	Not Applicable

(Rs. in lacs)

			Current Year	**Previous Year**
C.	FOREIGN EXCHANGE EARNINGS AND OUTGO	:	1. Earning 4832.34	5292.75
			2. Outgo 980.96	1136.37

For and on behalf of the Board of Directors

(BABULAL A. SINGHVI)
CHAIRMAN

Gandhidham, 16th August, 2010

Annexure – II To DIRECTORS' REPORT

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

The securities and Exchange Board of India had introduced a Code of Corporate Governance for implementation by companies listed with Stock Exchanges from the year 2001-2002. The Board of Directors of your Company strongly supports the principles of corporate governance. Further the Board lays emphasis on transparency, accountability and integrity in all its operations and dealings with outsiders. The following are the detailed practices on Corporate Governance in your company.

2. BOARD OF DIRECTORS:

(a) Composition of the Board : (for the financial year 2009-2010)

Director	No. of Shares held in KSAIL	No. of meetings attended	*No. of outside Directorship held	Total No. of memberships/ chairmanship of Committees across all companies	
				Member	Chairman
MR. BABULAL A. SINGHVI	--	7	2	--	1
MR. ASHOK A. SINGHVI	--	5	1	--	--
MR. MUKESH B.SINGHVI	--	6	2	--	--
MR. JITENDRA S. SINGHVI	--	7	1	1	1
MR. SANDEEP T. SINGHVI	--	5	1	2	--
MR.LEKHRAJ P. KANUNGO	--	4	--	--	2
Dr. SEEMA SHRIMAL	--	5	--	2	--

* (Excluding alternate directorship and directorship in private limited companies, Foreign Companies and section 25 Companies.)

Mr. Babulal Singhvi is a Executive Chairman, Mr. Ashok A. Singhvi,Mr. Mukesh B. Singhvi are the executive director. Mr. Lekhraj P. Kanungo & Dr. Seema Shrimal are the Independent Director, Mr. Jitendra S. Singhvi & Mr. Sandeep T. Singhvi are the non – executive director.
All the Directors attended the last Annual General meeting held on 30th September, 2009.

9 Board Meetings were held during the financial year 2009-2010, as against the minimum requirement of 4 meetings. The dates on which meetings were held are given below :
[14.04.2009, 29.06.2009, 01.07.2009, 07.07.2009, 10.08.2009, 27.10.2009, 15.12.2009, 01.01.2010, 24.02.2010]

3. AUDIT COMMITTEE

The company has an audit committee with scope of activities as set out in clause 49 of the Listing Agreement with the stock exchange read with Section 292A of the Companies Act, 1956. the broad terms of reference of the audit committee are as under: -

The primary objective of this committee is to monitor and provide effective supervision of the financial control and reporting process. The terms of reference of the Audit Committee are in tandem with those laid down by stock exchange regulations and provisions of the Companies Act. In particular the Committee would review the financial reporting process, internal audit process, adequacy of internal control system, risk management policies and management audit process. The committee would also adopt matters such as auditors report, appointment of statutory auditors and their remuneration before consideration by the Board of Directors.

The audit committee presently consists of four directors viz Mr. Lekhraj P.Kanungo, as Chairman, Dr. Seema Shrimal as independent directors and Mr. Sandeep T. Singhvi & Jitendra S. Singhvi are as Non- Excecutive directors.

The committee met 5 times during the year on 14-04-09,20-07-09,10-08-09,25-10-09 and 25-01-2010

Members	Committee meetings attended
Sri. Lekhraj P.Kanungo	5
Sri. Sandeep T. Singhvi	5
Dr. Seema Shrimal	5
Sri. Jitendra S. Singhvi	5

The Chairman of the committee Mr. Lekhraj P. Kanungo was present at the Annual General Meeting held on 30th Sep 2009.

4. **REMUNERATION COMMITTEE :**

The Policy of the company is not to make payment of remuneration to any director of the company hence no remuneration committee is constituted for that matter.

5. **SHAREHOLDERS / INVESTORS GRIEVANCE AND SHARE TRANSFER COMMITTEE :**

The Sahreholders / Investors Grievance and Share Transfer Committee consists of 3 non-executive Directors viz.,

1. Mr. Lekhraj P. Kanungo — Chairman of the committee
2. Mr. Mukesh B. Singhvi — Non-Executive Director
3. Dr. Seema Shrimal — Non-Executive Director

The committee met 3 times during the year

During the year, no complaints were received from the shareholders.

6. **GENERAL BODY MEETINGS**

Location and time for last three Annual General Meeting were :

Year	AGM	Location	Date	Time
2006-2007	AGM	48, Prospect Chambers Annexe, 5th Floor, 317, Dr.Dadabhoy Naoroji Road,Fort, Mumbai-400 001	28th Sep. 07	5 P.M.
2007-2008	AGM	Same as above	25th Sep 08	5 P.M.
2008-2009	AGM	Same as above	30th Sep 09	5 P.M.

All special resolutions moved at the last Annual General Meeting were passed, by show of hands unanimously by all members present at the meeting. No postal ballots were used / invited for voting at these meetings.

7. **DISCLOSURES :**

I. **Details of Related Party Transactions**

As required by the accounting standard AS-18 the details of related party transaction are given in Note No.4 of Schedule 17 to the annual accounts.

II. **Disclosure of accounting treatment in preparation of financial statements** The company has generally followed the guidelines of accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of financial statement. Except Account Standard 15 "Accounting for Retirement benefit in the financial statement of Employer.

III. **Details of Non Compliance by the company**

There have been no instances of non-compliance by the Company on any matters related to the capital markets, nor have any penalty / strictures been imposed on the Company by the Stock Exchange or SEBI or any other statutory authority on such matters.

IV. **Compliance with clause 49 of the listing agreement**

The company is fully compliant with the applicable mandatory requirements of clause 49 of the listing Agreement

8. MEANS OF COMMUNICATIONS :

Half yearly report sent to each household of share holders	No
Quarterly & half yearly results	Are published in "The Free Press Journal" & "Nav Shakti"
Any website, where displayed, whether it also displays Official news releases, and the presentation to institutions investors or to the analysts	No
Whether MD & A is a part of Annual Report or not	No

9. GENERAL SHARE HOLDERS INFORMATION

9.1 Annual general Meeting

Date and time : 30th September 2010, at 5 P.M.

Venue 48, Prospect Chambers Annexe, 5th Floor, 317, Dr.Dadabhoy Naoroji Road, Fort, Mumbai-400 001

9.2 Tentative Financial Calendar : Results for quarter ending 30th June, 2010 Last week of July,2010.
Results for quarter ending 30th Sept, 2010 Last week of Oct, 2010.
Results for quarter ending 31st Dec, 2010 Last week of Jan, 2011.
Results for quarter ending 31st Mar, 2011 Last week of April, 2011.

9.3 Book closure date : 25TH September 2010 to 30th September 2010

9.4 Dividend payment date : The Directors have not recommended any dividend on equity shares for the financial year 2009 – 2010.

9.5 Listing of equity shares on Stock Exchange at : The Bombay Stock Exchange Ltd. Mumbai

9.6 Stock Code : 506540

9.7 Stock market data : Since the shares are not actively traded hence no details is given.

9.8 Registrar and Share Transfer Work of the company is done in house.

9.9 Share transfer system :

The Board has constituted a share transfer committee for physical transfer of shares. Shares lodged for transfer are normally processed within 15 days from the date of lodgment, if the documents are clear in all respects.

9.10 Distribution of Shareholding as on 31st March 2010

No of Shares	No of holders	% of Shareholders	No of Share held	Voting Strength (%)
Upto 500	205	97.15	6375	02.55
501 – 1000	1	00.47	625	00.25
1001 – 2000	1	00.47	1935	00.77
2001 – 3000	1	00.47	2500	01.00
3001 – 10,000	2	00.97	8550	03.42
10001 and above	1	00.47	230015	92.01
Total	211	100	250000	100

Shareholding pattern :

Category	As on 31st March 2010	
	No of Shares	%
Promoters /Persons acting in concert	230015	92.01
UTI & Mutual Funds	-----	----
Financial Institutions / Banks / Insurance Companies	-----	-----
Private Corporate Bodies	626	00.25
Resident Individuals	19359	07.74
NRI's / OCB's	------	-----
Total	250000	100

9.11 Dematerialisation of shares

No Dematerialisation of the equity shares of the company has been carried out.

9.12 Outstanding GDR / Warrants and convertible Bonds, conversion date and likely impact on equity : None

9.13 Plant Location
(a) Kandla : ZERA PORT, New Kandla, 370 210
(b) Jakhau : Jakhau : Kutch, Taluka : Abadasa, 370 640

9.14 Investors correspondence :

Registered Office of the Company :
48, Prospect Chambers Annexe,
5th Floor, 317, Dr. Dadabhoy Naoroji Road,
Fort, Mumbai-400 001

10. CODE OF CONDUCT

Your Company has always encouraged and supported compliance to ethical business practices in personal and corporate by its employees. Your Company in order to further strengthen corporate practices has framed a specific code of conduct, for the members of the Board of Directors and Senior Management personnel of the Company.

For and on behalf of the Board of Directors

Place : Gandhidham

Date : 16th August, 2010

(BABULAL A. SINGHVI)
CHAIRMAN

CERTIFICATE OF COMPLIANCE FROM AUDITORS AS STIPULATED UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To,
The members of The Kutch Salt & Allied Industries Limited.

We have examined the compliance of conditions of corporate governance by The Kutch Salt & Allied Industries Limited for the year ended on 31st March , 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.

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 the explanations given to us, and based on the representation made by the Directors and management we certify that the company has complied with the conditions of the Corporate Governance as stipulated in clause 49 of the Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Shareholders / Investor's grievance committee.

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

Place : Gandhidham
Date : 16th August, 2010

M. B. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

For M.B.SORATHIA & CO.
Chartered Accountants

(M.B.SORATHIA)
Proprietor
Membership No.36992
Firm Registration No.110420W

THE KUTCH SALT & ALLIED INDUSTRIES LIMITED

Cash Flow Statement for the year ended 31st March, 2010

	Particulars	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
A.	CASH FLOW FROM OPERATING ACTIVITIES:		
	NET PROFIT AFTER TAX	45878339	(25474882)
	ADJUSTMENTS FOR NON-CASH ITEMS:		
	Depreciation	80714796	40914651
	Loss on sale of assets	---	---
	Income Tax	18400000	---
	Fringe Benefit Tax	---	11000
	Income Tax (Deferred Tax)	33098331	(13111912)
	Prior Period Items	132	104773
		178091598	2443630
	ADJUSTMENTS FOR ITEMS REQUIRED TO BE DISCLOSED SEPARATELY:		
	Interest Paid	37866457	48213029
	Non-Operating Income	(9600)	(13800)
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	215948455	50642859
	ADJUSTMENTS FOR CHANGES IN WORKING CAPITAL:		
	Trade & Other receivables	55536309	(127508626)
	Inventories	(10408275)	(83135647)
	Trade & other payables	(129534728)	137963943
		131541761	(22037471)
	Deferred Revenue Expenditure	(1042141)	170216
		130499620	(21867255)
	CASH GENERATED FROM THE OPERATIONS		
	Interest Paid	37866457	48213029
	Other Non-Operating Income	(9600)	(13800)
	NET CASH FLOW FROM OPERATING ACTIVITIES	92642763	(70066484)
B.	CASH FLOW FROM INVESTMENT ACTIVITIES:		
	Addition of Fixed Assets	(335948603)	(157162357)
	Sale Of Fixed Assets	17250	---
	Purchase of Investments	---	---
	NET CASH FROM INVESTMENT ACTIVITIES	(335931353)	(157162357)
C.	CASH FLOW FROM FINANCING ACTIVITIES		
	Issue of Preference Shares	---	---
	Receipt of Loan (Secured)	(5852842)	170994385
	Receipt of Loan (Unsecured)	(1168852)	1168852
		(7021694)	172163237
D.	CAPITAL WORK IN PROGRESS	253092887	(182703071)
	Net Increase/(Decrease) in Cash AND Cash Equivalents (A+B+C+D)	2782603	(237768675)

M. B. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

Particulars		YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
A. CASH FLOW FROM OPERATING ACTIVITIES:			
CASH AND CASH EQUIVALENTS			
Cash and Bank Balances	Opening Balance	2968627	225814680
	Closing Balance	5651924	2968627
		2683297	(222846053)
Cash Credit Account	Opening Balance	24768456	9845834
	Closing Balance	24669150	24768456
		99306	(14922622)
		2782603	(237768675)

NOTE:

1 The figures in the Cash Flow Statement are based on or have been derived from the Annual Financial Statement of the Company.

2 Figures in brackets represents Outflow of Cash & payment

For and on behalf of Board of Directors

Babulal A. Singhvi
(Director)

Ashok A. Singhvi
(Director)

Gandhidham, 16 th August, 2010

AUDITOR'S CERTIFICATE

We have examinied the above Cash Flow Statement of THE KUTCH SALT & ALLIED INDUSTRIES LTD., for the year ended 31st March, 2010 and confirm that it has been derived from the audited accounts of the Company for the year ended 31st March, 2010 and 31st March, 2009 & in accordance with the requirements of the listing agreement with the Stock Exchange.

As per our report of even date

For M.B. SORATHIA & CO.
Chartered Accountants

M.B. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

Gandhidham, 16 th August, 2010

M.B. SORATHIA
Proprietor
Membership No.36992
Firm Registration No.110420W

21, AJANTA COMMERCIAL CENTRE.
NEAR HOTEL PRESIDENT,
GANDHIDHAM (KUTCH) 370 201.

M.B. SORATHIA & CO.
CHARTERED ACCOUNTANTS
PHONE : (02836) 221494, 222347

AUDITOR'S REPORT

TO,
THE MEMBERS OF
THE KUTCH SALT & ALLIED INDUSTRIES LTD.

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

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

3 As required by the Companies (Auditor's Report) Order, 2003 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.

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

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit ;

(ii) In our opinion, proper Books of Account as required by law have been kept by the Compnay so far as appears from our examination of those Books ;

(iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account ;

(iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 except non-fulfilment of AS-15 "Accounting for Retirement benefit in the financial statement of employer". Due to the same Profit of the company is overstated by Rs.10,72,054/- and also no effect on the profit is taken in respect of leave encashment payable to the employees.

(v) On the basis of the written representation received from the Directors, as on 31st March, 2010 and taken on record by the Board of the Directors, we report that none of the Director is disqualified as on 31st March, 2010 from being appointed as a Director under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

Cont. ...2

M.B. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

21, AJANTA COMMERCIAL CENTRE.
NEAR HOTEL PRESIDENT,
GANDHIDHAM (KUTCH) 370 201.

M.B. SORATHIA & CO.
CHARTERED ACCOUNTANTS
PHONE : (02836) 221494, 222347

(vi) In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India:

(a) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2010;

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

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

For M. B. SORATHIA & CO.
CHARTERED ACCOUNTANTS

M. B. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

(M. B. SORATHIA)
Proprietor
Membership No. : 36992
Firm Registration No.110420W

Place : Gandhidham-Kachchh

Date : 16th August, 2010

21, AJANTA COMMERCIAL CENTRE.
NEAR HOTEL PRESIDENT,
GANDHIDHAM (KUTCH) 370 201.

M.B. SORATHIA & CO.
CHARTERED ACCOUNTANTS
PHONE : (02836) 221494, 222347

ANNEXURE "A"

RE. : THE KUTCH SALT & ALLIED INDUSTRIES LIMITED

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) All the assets have been physically verified by the management during the year and there is a regular programme of verification, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification, as reported by Management.

(c) According to the information and explanations given to us, the Company has not disposed off substantial part of Fixed Assets and the going concern status of the Company is not affected.

(ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) (a) According to the information and explanation given to us, the company has granted unsecured loans to two company, firm or other parties covered in register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year in respect thereof was Rs. 2496.54 lacs and the year end balance of loan granted to such parties was Rs.2230.92.

(b) In our opinion, the rate of interest and other terms and conditions on which loans have been given to companis, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.

(c) The Company is regularly receiving the principal amount and interest as stipulated.

(d) There is no overdue amount of loans granted to Companies, Firms or Other parties covered in the register maintained under section 301 of the Companies Act, 1956.

M.B. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

Cont.....02

21, AJANTA COMMERCIAL CENTRE.
NEAR HOTEL PRESIDENT,
GANDHIDHAM (KUTCH) 370 201.

M.B. SORATHIA & CO.
CHARTERED ACCOUNTANTS
PHONE : (02836) 221494, 222347

(e) According to the information and explanations given to us, the Company has not taken loan from a Companies/Firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956. Hence sub clause (f) & (g) of clause (iii) of the report are not applicable.

(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 the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

(v) (a) According to the information and explanations given to us, the transactions that need to be entered into the Register maintained under section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees 5.00 (Five) lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) According to information and explanation given to us, the Company has not accepted deposits from public hence directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Companies Act, 1956 and rules framed there under are not applicable for the year under audit.

(vii) In our opinion, The company has an internal audit system commensurate with the size and nature of its business.

(viii) The Central Government has not prescribed the maintenance of Cost Records under section 209 (1) (d) of The Companies Act, 1956 for any of the product of the Company.

(ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, invenstor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31-03-2010 for a period of more than six months from the date they became payable.

(c) According to the information and explanation given to us, there are no dues of sales tax, income tax, custom duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.

M. B. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

Contd....3

21, AJANTA COMMERCIAL CENTRE.
NEAR HOTEL PRESIDENT,
GANDHIDHAM (KUTCH) 370 201.

M.B. SORATHIA & CO.
CHARTERED ACCOUNTANTS
PHONE : (02836) 221494, 222347

(x) The accumulated losses of the Company as on 31st March 2010 are not in excess of 50% of the net worth of the Company. The Company has not incurred cash losses during the financial year covered by our audit and immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a Financial Institution or Bank.

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

(xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xv) In our opinion, The Company has not given any guarantees for loans taken by others from banks or financial institutions.

(xvi) In our opinion and according to the Information & explanation given to us, term loans have been utilized for the purpose for which the same were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.

(xviii) According to the Information and explanations given to us, the Company has not made any preferential allotment of Shares to parties covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) During the year, the Company has not issued any Debentures and hence clause (4) (xix) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

(xx) During the year covered by our report, the Company has not raised any money by way of public issues.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For M. B. SORATHIA & CO.
CHARTERED ACCOUNTANTS

M.B. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

(M. B. SORATHIA)
Proprietor
Membership No. : 36992
Firm Registration No.110420W

Place : Gandhidham-Kachchh

Date : 16th August, 2010

THE KUTCH SALT & ALLIED INDUSTRIES LIMITED.

BALANCE SHEET AS AT 31ST MARCH, 2010

SOURCES OF FUNDS :	SCHEDULE	2009-2010 Rs.	2008-2009 Rs.
. SHAREHOLDER'S FUNDS :			
Share Capital	1	126699825	126699825
Reserves and Surplus.	2	44811544	(1066928)
		171511369	**125632897**
2. LOAN FUNDS :			
Secured Loans	3	684603956	690556104
Unsecured Loans	4	-	1168852
		684603956	**691724956**
3. DEFERRED TAX LIABILITY (NET)		32260918	-
TOTAL :		**888376243**	**817357853**
APPLICATION OF FUNDS :			
FIXED ASSETS :	5		
Gross Block		792004692	456073339
Less : Depreciation		241487985	160773190
Net Block		**550516707**	**295300149**
Capital Work In Progress		27743690	280836577
		578260397	**576136726**
INVESTMENTS	6	503000	503000
CURRENT ASSETS, LOANS & ADVANCES :			
a) Closing Stock	7	173927461	163519186
b) Sundry Debtors	8	1504984	86407228
c) Cash & Bank Balances	9	5651924	2968627
d) Loans & Advances	10	275173750	245807815
		456258119	**498702856**
Less : Current Liabilities & Provisions	11	147901190	259035918
NET CURRENT ASSETS		308356929	239666938
DEFERRED TAX ASSETS (NET)		-	837413
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		1255917	213776
TOTAL :		**888376243**	**817357853**
SIGNIFICANT ACCOUNTING POLICY & NOTES TO ACCOUNT	17		

As per our report of even date

For M.B. SORATHIA & CO.
Chartered Accountants

M.B.SORATHIA.
Proprietor
Membership No.36992
Firm Registration No.110420W
Gandhidham.
Date : 16th August, 2010

M.B. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

For and on behalf of Board of Directors

BABULAL A. SINGHVI
(Chairman)

ASHOK A. SINGHVI
(Director)

THE KUTCH SALT & ALLIED INDUSTRIES LIMITED

SCHEDULES TO THE ACCOUNTS

SCHEDULE 1 : SHARE CAPITAL	2009-2010 Rs.	2008-2009 Rs.
Authorised :		
500000 (500000) Equity Shares of Rs.10/- each.	5000000	5000000
13000000 (13000000)12% Redeemable Cumulative Preference Shares of Rs.10/- each.	130000000	130000000
	135000000	**135000000**
Issued :		
250000 (250000) Equity Shares of Rs. 10/- each fully paid.	2500000	2500000
12420000 12% Redeemable Cumulative Pref. Shares of Rs10 each fully paid.	124200000	124200000
	126700000	**126700000**
Subscribed & Paid up :		
250000 (250000) Equity Shares of Rs.10/- each fully paid up	2500000	2500000
Less : Calls in arrears	175	175
	2499825	2499825
12420000 (12420000) 12% Redeemable Pref. Shares of Rs10 each fully paid up	124200000	124200000
	126699825	**126699825**

SCHEDULE 2 : RESERVES & SURPLUS	2009-2010 Rs.	2008-2009 Rs.
General Reserve	942248	942248
Capital Redemption Reserve	4200000	4200000
Profit & Loss Account	39669296	(6209176)
	44811544	**(1066928)**

SCHEDULE 3 : SECURED LOANS	2009-2010 Rs.	2008-2009 Rs.
From Bank:		
Term Loan from Punjab National Bank	27535268	43678812
Term Loan from State Bank of India Ahmedabad	45201776	57662746
(Secured against Hypothecation of entire Plant & Machinery, tools, accessories, equipments, electrification and all movable assets including current assets such as raw-materials, work in process, finished goods etc.)		
Export Packing Credit Limit with Punjab National Bank	182434857	174991533
Export Packing Credit Limit with State Bank of India Ahmedabad	125557699	115197595
Packing Credit Foreign Currency with State Bank of India Ahmedabad	-	50530000
Cash Credit Limit with State Bank of India Ahmedabad	15099037	14827903
Cash Credit Limit with State Bank of India Gandhidham	9570113	9940553
(Secured against hypothecation of entire current assets of the company such as raw materials, work-in-process, finished goods stores & spares including Plant & Machinery etc.)		
From Financial Institutes :		
Term Loan Secured by way of hypothecation of specific equipment / vehicles from :-		
Sundaram Finance Ltd.	28136219	46897727
Magma Shrachi Finance Ltd.	113468179	61899302
Small Industries Development Bank of India	131229427	108000000
Tata Capital Ltd.	4674513	6737557
ICICI Bank Ltd.	28939	192376
HDFC Bank Ltd.	1667929	-
	684603956	**690556104**

SCHEDULE 4 : UNSECURED LOANS	2009-2010 Rs.	2008-2009 Rs.
Temprorary Over Draft from Punjab National Bank, Gandhidham	-	1168852
	-	**1168852**

M B SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

THE KUTCH SALT & ALLIED INDUSTRIES LTD.

FIXED ASSETS

SCHEDULE : 5

Sr. No.	Particulars	Gross Block				Depreciation				Net Block.	
		As on ~~01-04-2009~~ 01.04.10	Additions	Dedu-ctions	As on ~~31/03/2010~~ 31.03.11	Upto previous year	During the year	Recouped	Total	As on ~~31/03/2010~~ 31.03.11	As on 31/03/2009 31.03.10
1)	Land	5912	-	-	5912	-	-	-	-	5912	5912
2)	Building & Roads	59128812	8500318	-	67629130	16250230	4784424	-	21034654	46594476	42878582
3)	Plant & Machinery	212449192	27194423	17250	239626365	38025928	26098353	270	64124011	175502354	174423264
4)	Reservior & Pans	90687531	27593908	-	118281439	90687531	16977833	-	107665364	10,616,075.00	0
5)	Vehicle	1690338	2124952	-	3815290	956613	347244	-	1303857	2511433	733725
6)	Furniture Fittings & Office Equipments	609469	443892	-	1053361	457061	36604	-	493665	559696	152408
7)	Water Supplies & Pipe Lines	208414	-	-	208414	207240	163	-	207403	1011	1174
8)	Computer & Printer	16835	40885		57720	1624	9927		11551	46169	15211
9)	Wind Mill	91276836	270050225	-	361327061	14186963	32460517	-	46647480	314679581	77089873
	TOTAL :-	**456073339**	**335948603**	**17250**	**792004692**	**160773190**	**80715065**	**270**	**241487985**	**550516707**	**295300149**
	Previous Year	**298910982**	**157162357**	---	**456073339**	**119858539**	**40914651**	---	**160773190**	**295300149**	**179052443**
9)	Capital Work in Progress	280836577	82971689	336064576	27743690	-	-	-	-	27743690	-
	Previous Year	-	-	-	280836577	-	-	-	-	-	280836577
	TOTAL :-	-	-	-	**819748382**	-	-	-	**241487985**	**578260397**	**576136726**

M. B. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

THE KUTCH SALT & ALLIED INDUSTRIES LTD.

SCHEDULE TO THE ACCOUNTS

SCHEDULE 6 : INVESTMENTS	2009-2010 Rs.	2008-2009 Rs.
Government Securities		
National Saving Certificate	419000	419000
(Pledge with Govt. Authorities)		
Trade Unquoted		
200 (200) Equity Shares of The Bhuj Mercantile		
Co-operative Bank Ltd. of Rs.100/- each	20000	20000
640 (640) Equity Shares of The Gandhidham Mercantile	64000	64000
Co-operative Bank Ltd. of Rs.100/- each	**503000**	**503000**

SCHEDULE 7 : CLOSING STOCK	2009-2010 Rs.	2008-2009 Rs.
(As valued, verified and certified by Management)		
Finished Goods	78151273	87929030
Trading Goods	94459690	74812124
Stores Spares	1316498	778032
	173927461	**163519186**

SCHEDULE 8 : SUNDRY DEBTORS	2009-2010 Rs.	2008-2009 Rs.
(UNSECURED & CONSIDERED GOOD)		
Over six Months	581353	518540
Others	923631	85888688
	1504984	**86407228**

SCHEDULE 9 : CASH & BANK BALANCES	2009-2010 Rs.	2008-2009 Rs.
Cash on hand	157593	834995
Balance with Schedule Bank		
On Current Account	5482437	2115432
Balance with Other Banks		
On Current Account	11894	18200
	5651924	**2968627**

SCHEDULE 10 : LOANS & ADVANCES	2009-2010 Rs.	2008-2009 Rs.
(UNSECURED & CONSIDERED GOODS UNLESS OTHERWISE STATED)		
Advance recoverable in cash or in kind for value to be received	251872703	224567908
Deposits	16566990	16344724
Prepaid Expenses	6348012	4895183
Accrued Income	386045	---
	275173750	**245807815**

SCHEDULE 11 : CURRENT LIABILITIES AND PROVISIONS	2009-2010 Rs.	2008-2009 Rs.
Sundry Creditors	129501190	259024918
Provisions :		
For Current Tax	18400000	---
For Fringe Benefit Tax	---	11000
	147901190	**259035918**

M. B. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

THE KUTCH SALT AND ALLIED INDUSTRIES LTD.

SCHEDULES TO THE ACCOUNTS

SCHEDULE 12 : OTHER INCOME	2009-2010 Rs.	2008-2009 Rs.
Dividend Income	9600	13800
Liability Written back	-	981
Interest	256830	609868
Duty Draw Back	1018139	-
Vishesh Krishi Upai Yojana	628092	-
Foreign Exchange Rate Difference	8722315	-
	10634976	**624649**

SCHEDULE 13 : INCREASE/(DECREASE) IN STOCK	2009-2010 Rs.	2008-2009 Rs.
Closing Stock		
Finished Goods	78151273	87929030
Trading Goods	94459690	74812124
	172610963	**162741154**
Opening Stock		
Finished Goods	87929030	53570512
Trading Goods	74812124	26813027
	162741154	**80383539**
INCREASE/(DECREASE) IN STOCK	**9869809**	**82357615**

SCHEDULE 14 : EMPLOYEES COST	2009-2010 Rs.	2008-2009 Rs.
Wages, Salaries & Bonus	4906857	3844611
Provident & Other Fund	130773	119959
Staff welfare Expenses	163278	80148
	5200908	**4044718**

M. B. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

THE KUTCH SALT AND ALLIED INDUSTRIES LTD.

SCHEDULES TO THE ACCOUNTS

SCHEDULE 15 : OPERATING & OTHER EXPENSES	2009-2010 Rs.	2008-2009 Rs.
Rent, Rates & Taxes	1371807	1100261
Vehicle expenses	652982	611367
Insurance	1061261	771314
Printing & Stationery Expenses	54456	43987
Postage & Telecomunication Expenses	82201	73729
Advertisement	283989	83877
Traveling & Conveyance	182296	71503
Legal & Professional fees	212688	403406
Lease Land renewal expenses	10004	10004
Audit & Other Fees	50000	55150
Miscellaneous expenses	131524	79514
Laboratory expenses	24961	1896
Water Expenses	238425	275738
Workmen Compensation Payments	199500	1190991
Vessel Freight Charges	86536110	95764719
Salt Transporation Expenses	16884945	65913539
Sales & Despatch Expenses	67886940	59413790
ECGC Premium charges	1349205	2435141
Preminarly Expenses Written off	154200	154200
Office Electricity Expenses	18865	30515
Computer Software Expenese	24000	-
	177410359	**228484641**

SCHEDULE 16 : FINANCIAL EXPENSES	2009-2010 Rs.	2008-2009 Rs.
Interest to :		
Bank	37862157	48136053
Others	3300	76976
Finance Charges	23022101	9916533
Loan documentation Expenses	643363	3235650
Foreign Exchange Rate Difference	-	24650726
Bank Charges	298614	462118
	61830535	**86478056**

M. B. SORATHIA & CO.
CHARTERED ACCOUNTANTS
GANDHIDHAM

SCHEDULES TO THE ACCOUNTS

SCHEDULE 17 : NOTES FORMING PART OF THE ACCOUNTS

Accounting Policies :

1. The Significant accounting policies adopted by the Company on a basis are as follows :

A. System of Accounting :
The Company follows the mercantile system of accounting recognizes Income and Expenditure on accrual basis. The Accounts are prepared on historical cost convention basis and as a going concern. Accounting policies not specifically referred to otherwise are consistent with generally accepted accounting principles.

B. Fixed Assets :

Fixed assets are stated at cost of acquisition including freight, duties, taxes, pre-operative and other incidental expenses, related to acquisition and installation and any directly attributed cost of bringing the assets to its working condition for intended use. The financial cost till commencement of commercial production and adjustments arising from exchange rate variation attributable to the fixed assets are capitalized.

C. Depreciation :

Depreciation on Fixed Assets of the Company is charged on written down value method & at the rates prescribed under schedule XIV of the Companies Act, 1956.

D. Impairment of Assets :

At each balance sheet date, an assessment is made whether any indication exist that an assets has been impaired in terms of AS -28 issued by ICAI. If any such indication exists, an impairment loss i.e. the amount by which carrying amount of an assets exceeds its recoverable amount is provided in the books of accounts and charged to the profit & loss account. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

E. Revenue Recognition :
a) Revenue from sale of goods is recognized at the point of passing of title of the goods to the customers which generally coincides with delivery.
b) Export sales are accounted for on the basis of date of bill of lading.
c) Revenue in respect of export incentive is recognized when such incentive accrues upon filling of claim with the appropriate authority.

F. Inventories :
a) Closing stock of Finished and Trading Goods are valued at cost or net realizable value which ever is lower.
b) Stock of Stores and spare are valued at cost.

G. Investments :

Investments are stated at cost.

H. Foreign Exchange Transactions

Transaction in foreign currency are recorded at the exchange rates prevalent at the time of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the period end exchange rates. Whereas non-monetary foreign currency items like Investment in foreign subsidiaries are carried at cost and expressed in Indian currency at the rate of exchange prevailing at the time of making the original investment.

I. Borrowing Cost
Borrowing costs directly attributable to the acquisition/construction of qualifying fixed assets are capitalized as a part of the cost of the assets, up to the date the assets put to use. Other borrowing costs are charged to the Profit & Loss Account in the year in which they are incurred.

M. B. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

J. Provision for Current tax and deferred tax

Provision for Current Tax is made on the basis of taxable Income for the period computed in accordance with the provisions of the Income Tax Act, 1961. Deferred tax resulting from timing difference between book profit and profit as per Income Tax Act, 1961 is accounted for at the enacted rate of tax, to the extent that the timing differences are expected to crystallize. Deferred Tax Assets are recognized only to the extend that there is a reasonable certainty that sufficient future taxable profits will be available against which such deferred tax assets can be realized.

K. Retirement Benefits :

a) Provision for Gratuity, as required by Accounting Standard 15, has not been made in the accounts as the same is accounted as and when paid. The liability on this account as on 31.03.2010 as per actuarial valuation is Rs.10,72,054/- (Previous year Rs. 10,49,388/-).

b) Provision for leave encashment, as required by Accounting Standard 15, has not been made in the accounts as the same is accounted as and when paid.

c) Fixed contribution to provident fund are recognized in the accounts on actual cost to the company.

L. Contingent Liabilities :

No provision is made for liabilities which are contingent in nature, unless it is probable that future events will confirm that an asset has been impaired or a liability incurred as at the balance sheet date and a reasonable estimate of the resulting loss can be made. However, all known, material contingent liabilities are disclosed by way of separate notes.

M. Earning Per Share :

The earning considered in ascertaining the company's earning per share comprise the net profit after tax (and includes the post tax effect of any extra ordinary items). The number of shares used in computing basic earning per share is weighted average number of shares outstanding during the year.

N. Provisions, Contingent Liabilities and Contingent Assets :

Provisions involving substantial degree of estimation in measurement are recognized where there is a present obligation as a result of past events and it is probable that there will be an outflow of resources,; Contigent liabilities are not recognized but are disclosed in the notes, Contigent Assets are neither recognized nor disclosed in the financial statements.

O. Use of Estimates :

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amount of assets and liabilities and disclosure of contigent liabilities at the date of financial statements and the results of operations of during the reporting year. Although these estimates are based on management's best knowledge of current events and action, actual result could differ from these estimates.

2. Contingent liabilities not provided for :

a) Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs. 1,56,37,000/- (Previous Year Rs. 6,15,53,376/-)

b) Service Tax Refund Claim of Rs.49,34,874/- lodged by the company with the appropriate authority but till date no refund is sanctioned by the authority.

c) Gujarat Water Supply and Sewerage Board has demanded water charges at enhanced rate w.e.f. 01.01.1988. The liability for such claims comes to Rs. 4.34 lacs for which no provision is made. The company has filed suitable replies to the concerned authorities. (Previous year Rs. 4.34 Lacs)

d) The company has undertaken export obligation of Rs. Nil (Previous year Rs.14.14 Crores) to export goods against the issuance of Import Licence for the Import of capital goods. Out of this, export obligation of Rs. 7.99 Crores (Previous year Rs. 6.15 Crores) have already been fulfilled upto 31st March, 2010.

M. B. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

3. Segment Reporting

Sr. No.	Particulars	SEGMENT				Total
		Manufacturing	Trading	Power	Unallocable	
	I. BUSINESS SEGMENT					
	1. Segment Revenue					
	External Sales	430922747	423197719	27526438	--	881646904
	Inter Segment Sales	--	--	--	--	--
	Other Income	4245371	6389605	--	--	10634976
	Total Revenue	435168118	429587324	27526438	--	892281880
	2. Segment Result					
	Segment Revenue before tax & Interest	153183768	13371548	(8290088)	--	158265228
	Interest	18257654	25773618	16857286	--	60888558
	Profit after interest	134926114	(12402070)	(25147374)	--	97376670
	Extra ordinary items	-	-	-	--	-
		134926114	(12402070)	(25147374)	--	97376670
	3. Current Tax	--	--	--	18400000	18400000
	4. Fringe benefit Tax	--	--	--	--	--
	5. Deferred Tax	--	--	--	33098331	33098331
	6. Net Profit after Tax					45878339
	Other Information					
	7. Segment Assets	408318628	307169811	320788994	--	1036277433
	8. Segment Liabilities	193962056	392624632	249018458	--	835605146
	9. Capital Expenditure including CWIP	27743690	--	--	--	27743690
	10. Depreciation	48254548	--	32460517	--	80715065
	II. GEOGRAPHICAL SEGMENT					
	Revenue					
	India	370765935	2033351	27526438	--	400325724
	Outside India	64402183	427553973	--	--	491956156

Note :

1. Geographical segment considered for disclosure as follows :

Revenue within India includes sales to customers located within India

Revenue outside India includes sales to customers located outside India

M. B. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

4. **Related Party Disclosure**

Details of transactions entered into with related parties during the year as required by Accounting Standard – 18 issued by ICAI are as under : -

(Rs. In Lacs)

Sr. No.	Nature of Transactions	Amount
1.	Loans & Advances	463.62
2.	Purchase of Goods	1106.99
3.	Handling & Transportation services	1087.12
4.	Sales of Goods	3301.44

Name of related parties and description of relationship

Associates

Friends Bulk Handlers Ltd., Gautam Freight Pvt. Ltd., New Kandla Salt & Chemical Co. Pvt. Ltd., Terapanth Foods Ltd., Nidhi Mining Pvt. Ltd., Friends Salt Works & Allied Industries, Tungbhadra Logistics

Accounting standard – 20 : Earning Per Share		F.Y.2009-10 Rs.	F.Y.2008-09 Rs.
i)	Pofit / Loss After Tax (Rs. In Lacs)	458.78	(254.75)
ii)	Weighted Average No. Of Equity Shares	2,50,000	2,50,000
iii)	Weighted Average No. of diluted share	2,50,000	2,50,000
iv)	Nominal Value of Equity Shares (Rs.)	10	10
v)	Basic Earning Per Share (Rs.)	183.51	(101.90)
vi)	Diluted Earning per share (Rs.)	183.51	(101.90)

5. Deferred Tax Liability /Assets (Net) pursuant to Accounting Standard -22.

Particulars		Deferred Tax Liability / (Assets) as at 01.04.2009	Current Year Charge / (Credit)	Deferred Tax Liability / (Assets) as at 31.03.2010
Deferred Tax Liability				
i) Difference between book and tax depreciation		2,82,15,602	6,91,84,104	9,73,99,706
	(A)	2,82,15,602	6,91,84,104	9,73,99,706
Deferred Tax Assets				
i) Disallowances U/S.43B of Income Tax Act,1961		24,737	2,65,399	2,90,136
ii) Unabsorbed Depreciation		2,90,28,278	3,58,20,374	6,48,48,652
	(B)	2,90,53,015	3,60,85,773	6,51,38,788
Deferred Tax Liability/ (Assets) (Net)	(A-B)	(8,37,413)	3,30,98,331	3,22,60,918

6. Auditors Remuneration

	2009-2010	2008-2009
Audit fees	40000	42559.00
Other Capacity	10000	13561.00

7. There are no micro, small and medium enterprises to whom the company owes dues which are outstanding for more than 45 days at the balance sheet date. The said details have been determined to the extent such parties have been identified on the basis of information available with the company.
8. The Balances of Sundry Debtors and Sundry Creditors and some other debit and credit balances are subject to their confirmation.
9. The Company has not paid any remuneration to its Directors including sitting fees, hence, provisions of the Companies Act, 1956 pertaining to Managerial Remuneration is not applicable.

M. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

10. Previous years figures have been regrouped / rearranged wherever consider necessary, to make them comparable.
11. Schedule 1 to 17 From integral part of Balance Sheet and Profit and Loss Account and have been duly authenticated as such.
12. Additional information as required under paragraph 3 and 4 of part – II of schedule VI of the companies Act, 1956 are as follows :-

SCHEDULE TO THE ACCOUNTS

Additional information under Part II of Schedule VI to the Companies Act., 1956 :

1.	Consumption of raw materials	As salt is manufactured from the sea water there is no consumption of raw materials
2.	Details of regarding licensed capacity, installed capacity, production, turn over, opening and closing stock.	
2.1	Licensed Capacity	Not Applicable
2.2	Installed Capacity	Not Applicable

1. Finished Goods

Particulars	Opening Stock		*Production	Purchase		Turnover		Closing Stock	
	Quantity (M.T.)	Amount Rs.	Quantity (M.T.)	Quantity (M.T.)	Amount Rs.	Quantity (M.T.)	Amount Rs.	Quantity (M.T.)	Amount Rs.
Salt	330032.000	85858843	749902.720	-	-	828745.900	428868943	251188.820	75649859
Previous Year	309316.000	49742938	525415.000	-	-	504699.000	244275338	330032.000	85858843
Gypsum	27148.965	2070187	12805.962	-	-	3318.580	2053804	36636.347	2501414
Previous Year	57622.385	3827574	21824.290	-	-	52297.710	31789173	27148.965	2070187

2. Trading Activities

Particulars	Opening Stock		*Production	* Purchase		Turnover		Closing Stock	
	Quantity (M.T.)	Amount Rs.	Quantity (M.T.)	Quantity (M.T.)	Amount Rs.	Quantity (M.T.)	Amount Rs.	Quantity (M.T.)	Amount Rs.
Iron Ore Fines	36320.830	74812124	-	64096.681	209326631	65818.000	321013267	34599.511	94459690
Previous Year	8379.071	26813027	-	140471.759	319281532	112530.000	370790578	36320.830	74812124
Castor Oil	-	-	-	-	-	-	-	-	-
Previous Year	-	-	-	1233.545	70587950	1233.545	72227498	-	-
Rapeseed DOC	-	-	-	7355.600	67140188	7355.600	71222958	-	-
Previous Year	-	-	-	-	-	-	-	-	-
Soyabean DOC	-	-	-	1400.000	26969732	1400.000	30961494	-	-
Previous Year	-	-	-	-	-	-	-	-	

* Net Washages / Wastages

		Rs. in Lacs	
		Current Year	Previous Year
3	Value of import on C.I.F. basis	-	-
4	Expenditure in foreign currency	980.96	1136.37
5	Earning in foreign exchange on account of export of goods	4832.34	5292.75

Signature to the schedule 1 to 17 which forms an integral part of the accounts.

For and on behalf of Board of Directors

As per our report of even date attached
For M.B. Sorathia & Co.

M.B. SORATHIA & CO. CHARTERED ACCOUNTANTS GANDHIDHAM

M.B.SORATHIA
Chartered Accountant
Membership No.36992
Firm Registration No.110420W

Babulal A. Singhvi
Chairman

Ashok A. Singhvi
Director

Gandhidham-Kachchh
Date : 16th August, 2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS:

Registration No.	8313	State Code : 11	
BalanceSheet Date	31	3	2010
	Date	Month	Year

II CAPITAL RAISED DURING THE YEAR

Public Issue	Rights Issue
NIL	NIL
Bonus	Private Placement
NIL	NIL

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNI (Rs. In Lacs)

Total Liabilites	Total Assets
8883.76	8883.76

SOURCES OF FUNDS:

Paid up Capital	Reserve & Surplus
1267.00	448.12
Secured Loans	Deffered Tax Liability
6846.04	322.61

APPLICATION OF FUNDS:

Net Fixed Assets	Investments
5782.60	5.03
Net Current Assets	Deferred Tax Assets
3083.57	-
Miscellaneous Expenditure	
12.56	

IV PERFORMANCE OF COMPANY

Turnover	Total Expenditure
8816.47	8047.75
Profit Before Tax	Profit After Tax
973.77	458.78
Earning per Share in Rs	Dividend Rate %
183.51	-

V GENERIC NAME OF PRINCIPAL PRAODUCTS OF THE COMPANY

Item code : (ITC Code)	Production Description
250100.09	INDUSTRIAL SALT

For and on behalf of Board of Directors

BABULAL A. SINGHVI
(Director)

ASHOK A. SINGHVI
(Director)

THE KUTCH SALT & ALLIED INDUSTRIES LTD.
REGD. OFFICE: 48, PROSPECT CHAMBERS ANNEXE, 5TH FLOOR, 317, DR. DADABHOY NAOROJI ROAD, MUMBAI-400 001

FORM OF PROXY

I/We.....of.....
.....being a member/members of The Kutch Salt & Allied Industries Ltd.
.....or failing him/her
.... as my/our proxy to vote for me/us on my/our behalf at the Sixty Annual General Meeting of the Company to be held on 30th September, 2010 and at 5.00 p.m. or adjournment thereof.

Signed this ..... Day of ..... 2010.

Affix
Rs.1 Revenue
Stamp

(Signature of Member)

The Proxy in order to be effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the company not later than 48 hours before the time for holding the aforesaid meeting. The proxy need not be a member of the company.

THE KUTCH SALT & ALLIED INDUSTRIES LTD.

ATTENDANCE SLIP

To be handed over at the entrance in the Meeting Hall

I hereby record my presence at the Sixty ANNUAL GENERAL MEETING of THE KUTCH SALT & ALLIED INDUSTRIES LTD. held at Registered Office of the Company at 48, PROSPECT CHAMBERS ANNEXE, 5TH FLOOR, 317, DR. DADABHOY NAOROJI ROAD, MUMBAI-400 001 on Thursday , the 30th September, 2010.

Full Name of the member attending : .....

Full name of the first joint-holder : .....
(To be filled in if first-named joint-holder does not attend the Company)

Name of Proxy : ....
(To be filled in Proxy Form has been duly deposited with the Company)

Registered Folio No. .....

No. of Shares held .....

(Signature of Shareholders / Proxy)