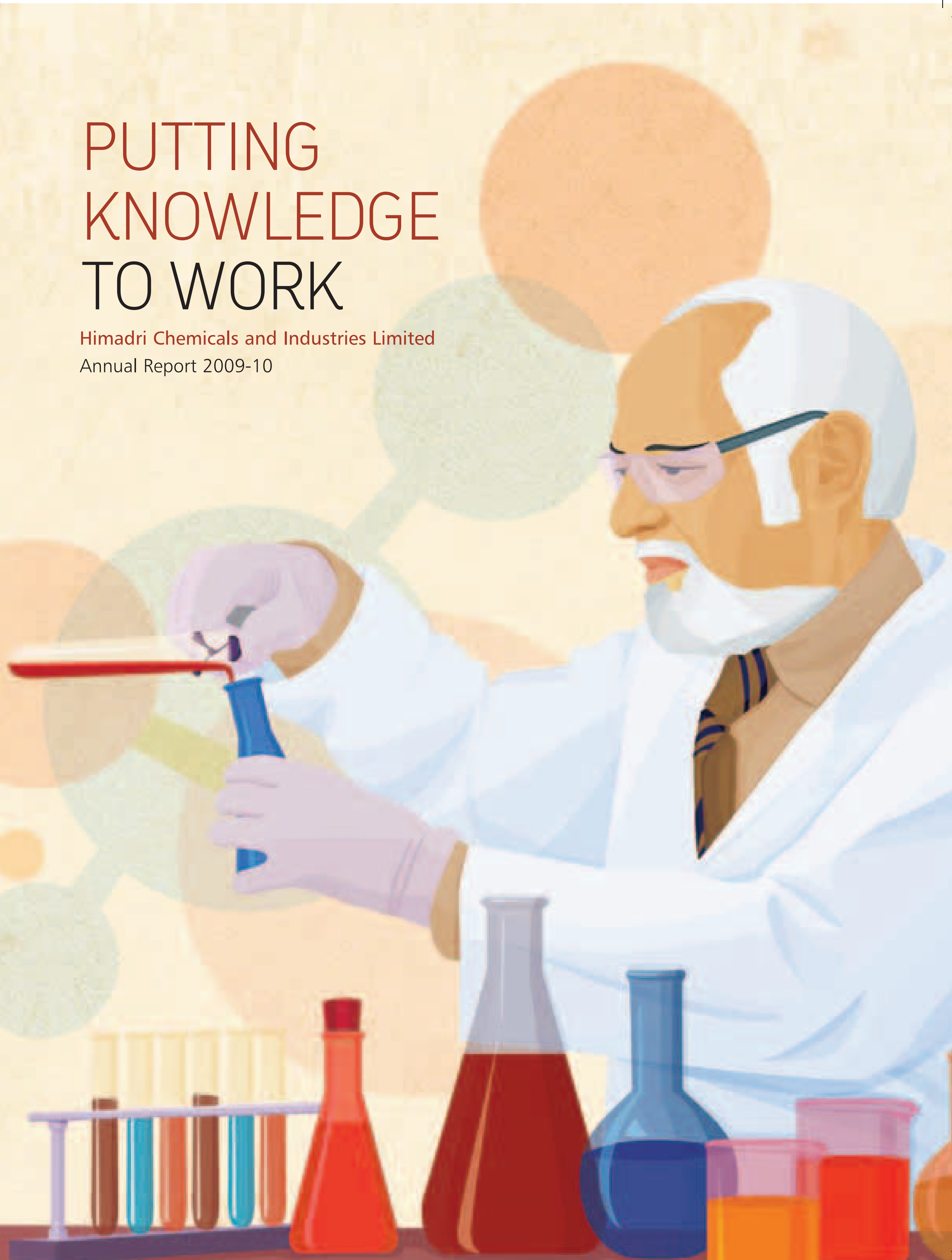
PUTTING KNOWLEDGE TO WORK

Himadri Chemicals and Industries Limited

Annual Report 2009-10



DISCLAIMER

In this annual report, we have disclosed forward-looking information to help investors comprehend our prospects and take informed investment decisions. This report is based on certain forward-looking statements that we periodically make to anticipate results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

CONTENTS

We were once just a coal tar pitch company.

That leveraged its deep product, process and domain knowledge to become a leading speciality carbon corporation.

That employed its technological edge and R&D efforts to graduate from coal tar pitch production to products like advanced carbon material, naphthalene, SNF and carbon black.

That evolved its core competence in one product to core carbon competence on the overall value chain.

THAT SIMPLY PUT ITS KNOWLEDGE TO WORK.

HIMADRI CHEMICALS IS INDIA'S LEADING INTEGRATED SPECIALITY CARBON CORPORATION.

Result: Revenues grew 33% in the five years leading to 2009-10. EBIDTA grew more than twice this rate at 72%.

The Company's net sales crossed Rs. 500 crores and net profit Rs. 100 crores in 2009-10.

Himadri Chemicals and Industries Limited had evolved into India's leading integrated speciality carbon corporation. We leveraged our position as India's leading coal tar pitch manufacturing company to profitably extend into multiple products.
The result is that the Company has a well-rounded portfolio that offers investors the benefits of risk diversification while staying true to leveraging, in every product, its core competence around the speciality niche of coal tar distillation within the carbon value chain.

- Incorporated in 1987
- Headquartered in Kolkata
- Six manufacturing facilities in India and one (proposed) in China
- One of the few global manufacturers of zero (QI) coal tar pitch used in the graphite electrode industry
- Only fully integrated speciality carbon complex in India to manufacture various value-added carbon products like advanced carbon material
- Only Indian coal tar pitch player in the organised sector
- Establishing India's largest SNF manufacturing base with in-house raw material

Our vision…

- To become a global leader in speciality carbon products by continuously enhancing our core competence through product improvement, technological innovations and customer satisfaction
- As a responsible corporate citizen, we focus on adopting eco-friendly technologies to protect our environment

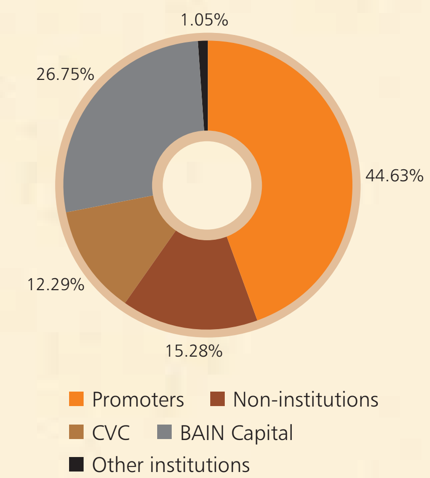
Our mission…

- To ensure customer satisfaction by strengthening our core capabilities and maintaining global standards of excellence
- Become cost leaders and unleash employee potential to satisfy our stakeholders
- Develop our employees so that they excel in their professional, personal and social lives
- Conserve our environment by maintaining high levels of safety and address social concerns in our regions of operation

Our product portfolio…

- Coal tar pitch
- Advanced carbon material
- Carbon black
- Coal tar oils of various grades
- Naphthalene
- Sulphonated Naphthalene Formaldehyde (SNF)
- Power from green clean gas
- Corrosion protection products

Our shareholders…



OUR MILESTONES...

Incorporated as Himadri Casting Pvt. Limited

Became a public Company

Expansions at both factories

Established new unit for coal tar distillation at Hooghly

Commissioned a by-product refining plant

Commissioned the first phase of advanced carbon material plant

Completed coal tar pitch expansion and expansion of the SNF plant at Vapi in March

1987 1990 1991 1993 1999 2000 2004 2005 2006 2007 2008 2009 2010

Established our first coal tar distillation plant in Howrah

Expanded our capacity at Howrah

Established a new unit at Visakhapatnam

Himadri Ispat Limited merged with the Company

Doubled capacity at the Hooghly plant

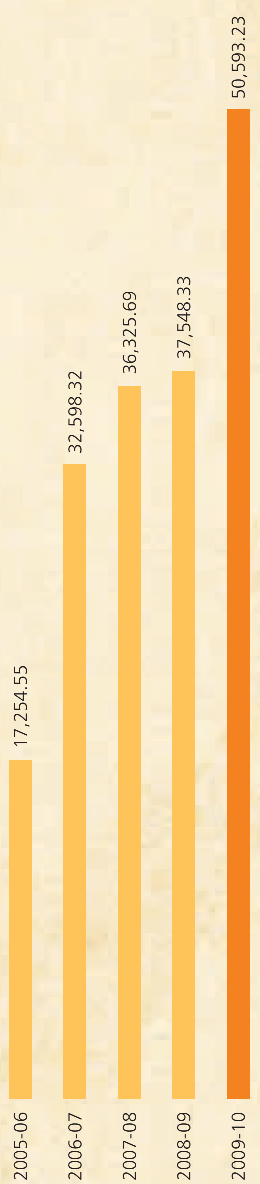
Established pitch melting facility at Korba

Completed carbon black and power plant projects

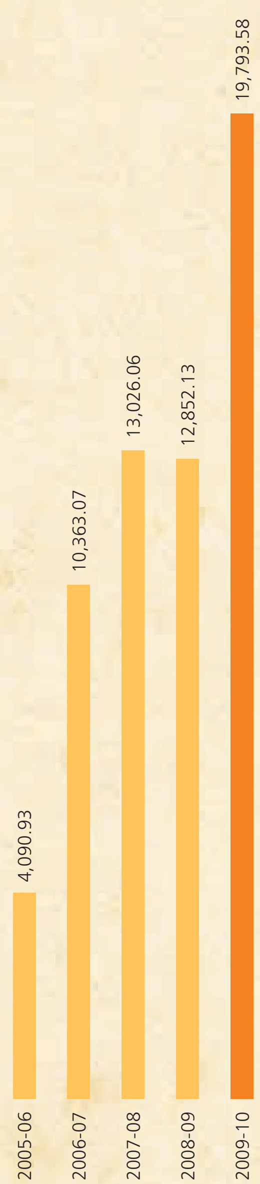
Acquired an SNF plant in Vapi; stabilised production

INVESTMENTS IN KNOWLEDGE HAVE HELPED DRIVE GROWTH AND RETURNS

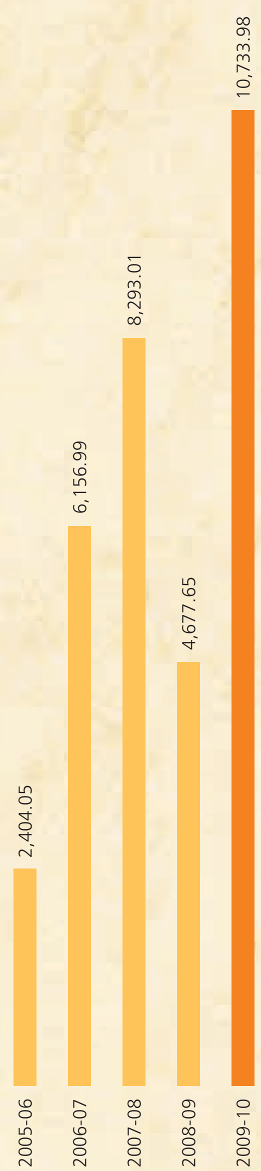
Revenue (net of excise)
(Rs. in lacs)



EBIDTA
(Rs. in lacs)

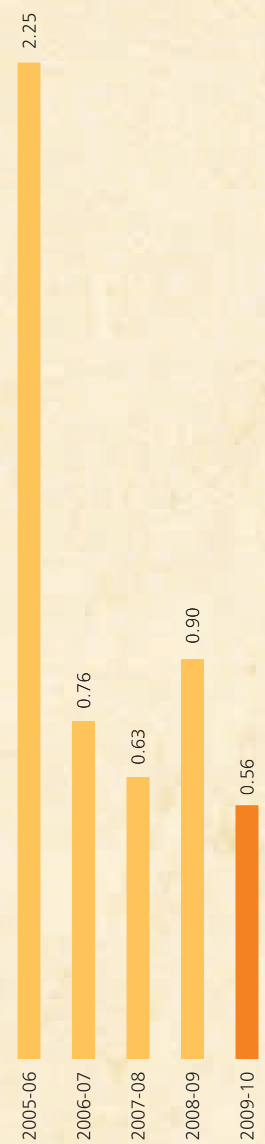


PAT
(Rs. in lacs)

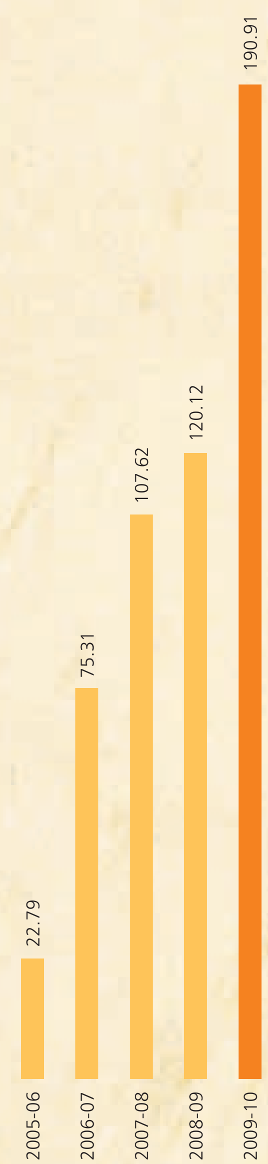


EPS (basic)
(In Rs.)

Debt-equity ratio



Book value per share
(In Rs.)



WHAT WE ACHIEVED IN 2009-10

Financials

- Revenues increased 34.74% from Rs. 37,548.33 lacs in 2008-09 to Rs. 50,593.23 lacs
- EBIDTA increased 54.01% from Rs.12,852.13 lacs in 2008-09 to Rs. 19,793.58 lacs
- EBIDTA margins increased 489 basis points from 34.23% in 2008-09 to 39.12%
- Net profit increased 129.47% from Rs. 4,677.65 lacs in 2008-09 to Rs. 10,733.98 lacs
- EPS (basic) increased 120% from Rs. 14.70 in 2008-09 to Rs. 32.34
- Bain Capital acquired a stake of 26.75% as on March 2010

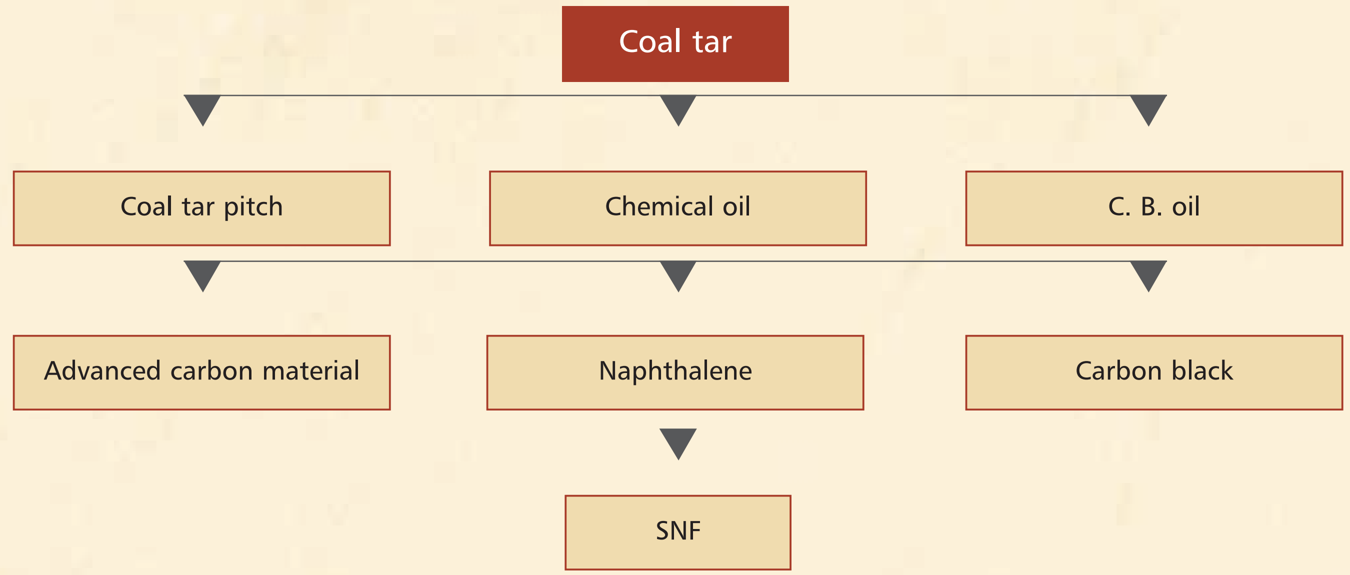
Marketing

- Established a national and international distribution network for carbon black
- Received acceptance for SNF product from the domestic market

Projects

- Completed a coal tar distillation capacity expansion
- Commissioned a carbon black facility to consume oil generated in-house
- Commissioned a power plant
- Increased SNF capacity
- Commissioned work to establish a coal tar pitch capacity in China

OUR PRODUCTS



Products application

Product	Uses
Coal tar pitch – binder grade	Binder of anodes and electrodes used in aluminium and steel production
Coal tar pitch – impregnating	Prime input in graphite electrodes used in steel production
Carbon black	Manufacture of tyres, rubber hoses, conveyor belts, coatings and printing inks, among others
Advanced carbon material	Manufacture of anodes of lithium-ion batteries
Naphthalene	Manufacture of dyes, dye intermediates, super plasticisers and tanning agents
Sulfonated naphthalene formaldehyde	Ready mix concrete and the manufacture of admixtures
C. B. oil	Carbon black feedstock

STRENGTHS

Market leadership

Himadri is the largest coal tar pitch manufacturer in India today.

Result: The Company's clients comprise brand-enhancing names like National Aluminium Company Limited, Hindalco Industries Limited, Balco, Vedanta Aluminium Limited, Graphite India Limited and HEG in India.

Quality

Himadri works closely with customers to strengthen coal tar pitch quality, resulting in a customised product.

Result: The Company generated a major portion of its revenues from long-standing institutional clients in 2009-10.

Core competence

Over the years, Himadri strengthened its core competence in the speciality carbon value chain through an integrated business model that added profitable by-products to its primary product of coal tar pitch.

Result: Himadri will be India's largest coal tar pitch, napthalene and SNF manufacturer.

Technological superiority

Himadri is respected for its proprietary technology, developed through decades of R&D. This makes Himadri the only player in the organised sector in this line of business.

Result: The Company has created all its products without entering into technology collaborations. Over the years, our technical experts have worked closely with the customers, improving the quality of electrodes.

Research

Himadri demonstrated its capability in commissioning cost-competitive plants without compromising product quality.

Result: The forward integrated products like carbon black and SNF manufactured by the Company were very well accepted in the market and the capital cost per MT of establishing coal tar distillation plant is among the least in the world.

Innovation

Himadri established a reputation for being able to derive products that are unique.

Result: The Company is one of only three global manufacturers to produce Zero Quinolene Insoluble (QI) impregnating coal tar pitch.

Value chain

Himadri evolved from the standalone manufacture of coal tar pitch to a broad basket of downstream products.

Result: The Company serves the core sectors of the economy – metal, steel, automobile, infrastructure, lithium ion batteries and power.

Logistical fleet

Himadri's dedicated fleet of 80 temperature-controlled tankers (with a specially designed heating system) transports liquid pitch at 220 degrees to customers.

Result: The Company enjoys a major market share in its products.

Proximity

Himadri's four plants are proximate to large customers. Its Korba plant is next to BALCO in Chhattisgarh.

Result: The Company's largest customers have been buying from the Company for the last several years.

CHAIRMAN'S STATEMENT

"Going ahead, we will improve our topline and bottomline by enhancing capacity and commencing the production of more value-added products. With market leadership, superior technology and aggressive capacity expansion plans, we are well placed to leverage our strengths, capitalise on growing opportunities and report enhanced value for our shareholders."

THIS IS AN INTERESTING AND OPPORTUNE TIME TO BE COMMUNICATING WITH YOU. FOR YEARS, WE WERE PRINCIPALLY A COAL TAR COMPANY. WE ARE NOW A LEADING INTEGRATED SPECIALITY CARBON CORPORATION.

In 2009-10, we achieved two significant milestones: our net sales crossed Rs. 500 crores and net profit crossed Rs. 100 crores.

We grew our revenues 34.74% from Rs. 37,548.33 lacs in 2008-09 to Rs. 50,593.23 lacs in 2009-10 and our EBIDTA 54.01% from Rs.12,852.13 lacs in 2008-09 to Rs. 19,793.58 lacs. This performance gives me the optimism to state that we have the capability to report attractive growth in 2010-11 and beyond.

Himadri is the largest and integrated manufacturer of coal tar pitch (CTP) and by-products in India. The principal users of CTP are aluminium and graphite manufacturers. Over the coming decade, Asia's consumption of CTP will increase exponentially due to a shift of aluminium production from Europe to the Middle East, China and India. The Indian aluminium industry is now emerging as a key global player owing to growing consumption, low production costs and vast bauxite reserves coupled with captive power generation. Moreover, there is growing room for an increase in production and consumption as India's per capita metal consumption is a mere 0.8 kg compared with 25 kg in the US, 19 kg in Japan and 10 kg in Europe. Seeing this reality, all major Indian aluminium players are raising their production capacities by charting out aggressive expansion.

The graphite industry accounts for a good share of the country's CTP production as graphite finds its application in graphite electrodes, used in steel making through the electric arc furnace (EAF) route. The increasing preference for the EAF route of steel production and the robust outlook of the steel industry will strengthen the demand for graphite electrodes, which in turn will spur the demand for our Zero QI impregnating pitch.

Following the aggressive expansion of our coal tar distillation capacities, we are well placed to capitalise on the rising demand of CTP from growing aluminium and graphite industries. With market leadership and sophisticated technology, we expect to continue to be a leader in the Indian CTP market.

The Company plans to extend beyond India to China through organic and inorganic initiatives. The Chinese consumption of aluminium is expected to grow rapidly. Besides, there is a abundant coal tar availability in China at attractive prices, which, combined with our cutting-edge technology, will enable us to corner a formidable market share in China. Additionally, the Company is strategically evaluating opportunities in select developed markets.

Over the recent past, the Company climbed the value chain following the production of value-added products like carbon black (from oil), SNF (from naphthalene) and advanced carbon materials (from coal tar). In the SNF segment, we are the only organised player and expect to carve out a substantial market share of India's super plasticiser segment over the next three years.

Going ahead, we will improve our topline and bottomline by enhancing capacity and commencing the production of more value-added products. With market leadership, superior technology and aggressive capacity expansion plans, we are well placed to leverage our strengths, capitalise on growing opportunities and report enhanced value for our shareholders.

Sd/-

Mr. D. P. Choudhary

CEO'S PERSPECTIVE

Mr. Anurag Choudhary, *CEO,* Himadri Chemical & Industries Limited, reviews the Company's performance.

Q. Were you happy with the performance of the Company during 2009-10?

A. I was very pleased with the Company's performance during the year. On the face of things, we strengthened our financials. However, this is just the beginning. We still have a long way to go.

This improvement in our financials transpired on account of a number of factors, one of the most relevant being our ability to commission our plants in time. In an environment where a number of factors were outside our control, we did well to focus on timely commissioning and the result is reflected below:

- We succeeded in commissioning our carbon black capacity on schedule in July 2009, resulting in revenues for three quarters of the last financial year.
- We commissioned our clean and green gas power plant on schedule in July 2009, resulting in attractive cost savings.
- We commissioned the expansion in our distillation capacity in March 2010.
- We increased our SNF capacity at Vapi in March 2010

I must also mention that in addition to commissioning assets on schedule, we succeeded in maximising asset utilisation; for instance, we achieved almost 100% utilisation of our distillation capacity during the course of the year, which justified our decision to expand.

Besides, we were carrying inventory at a written down value and negative foreign exchange adjustments from last year, which helped our profitability.

These various initiatives, in addition to our competitive advantage, translated into superior financials during the year under review.

Q. The Company now has a number of products. It would be easy to lose focus. How is the Company positioning itself?

A. The Company is not just a coal tar pitch producer any longer. Its successive forward integration has positioned it as an integrated speciality carbon corporation serving the growing needs of the core diversified industrial sector. Consider the following:

- Coal tar pitch, used to manufacture anodes in the smelters, is a critical raw material in aluminium manufacture.
- SNF is used in the manufacture of ready-mix concrete, which finds application in the infrastructure sector.
- Clean and green power is generated from the gas derived from carbon black manufacture.
- Carbon black is used in the manufacture of tyres and other rubber products that find application in the automobile industry.
- Advance carbon material is used in the manufacture of lithium ion batteries, which represents clean and green power for the future and is used in electric vehicles.

Q. What was special about the Company's earnings in 2009-10, which may not be easily evident?

A. What emphasises the robustness of our business model is that all our revenues are derived from integrated production and value-added products; one of our products is derived from the basic or speciality chemistry of the coal tar distillation chain. Given the background of rising revenues and attractive profitability, this underscores the point that our operations are synergistic and the result of a well planned business model which we have been able to convert into a model business. This is visible in our profitability: we reported an EBIDTA margin of 39.12% in 2009-10 compared with 34.23% in 2008-09, which is considerably higher than the broad industry average.

From a holistic perspective, it would be important to communicate with our shareholders that the various building blocks of our organisation are now in place, the capacities are up and running, we have achieved respectable utilisation levels, these products have been well accepted in a competitive

Going forward, we propose to significantly expand the capacity of our core business of coal tar distillation and also enhance capacities for all by-products

marketplace and translated into repeat orders, which in turn has provided us with the optimism to expand. Besides, we rightsized our balance sheet last year in line with the growing product and production scale through an infusion of net worth derived from an equity investment made by Bain Capital. The result is that our net worth increase (from Rs. 38,259.23 lacs as on 31 March 2009 to Rs. 73,640.57 lacs as on 31 March 2010) now places us in a position to enhance capacities and translate their timely commissioning into enhanced shareholder value.

So, the big message that we would like to send out to our shareholders is that what we achieved in terms of our product integration last year was a representative example of our future plans. Now that we have demonstrated that the model works, we would like to leverage the available team, resources and infrastructure to scale this model. We are a unique company and the journey has just started.

Q. How did the Company reduce costs and strengthen its competitiveness?

A. We commissioned a 12-MW power generation capacity using clean and green gas generated in carbon black production. This helped us generate power at a significantly lower rate, making us eligible for carbon credits. While most global carbon black players emit this gas, at Himadri, we use this gas to generate power.

Q. Where does the Company go from here?

A. We established small capacities in terms of forward integration for by-products and successfully implemented them. These products were well accepted and appreciated by end users. Going forward, we propose to significantly expand the capacity of our core business of coal tar distillation and also enhance capacities for all by-products. This will help transform Himadri into a true global company with core carbon competence in the speciality carbon value chain, its prime objective.

The Company's ability to source raw material in-house provides it a considerable edge over competition. We studied the business model of various global players in this line of business, identified key products and took steps to manufacture all these products. Himadri is the world's only company to possess all these products under one umbrella.

Q. How does the Company propose to take ahead the SNF business, looking forward?

A. We took the manufacturing facility at Vapi on a long-term lease and revamped and expanded the production capacity. In the process, we gained a better understanding of the product and market dynamics. The key advantage we are leveraging is that we are the only Indian company with captive raw materials for SNF production. The SNF market in India is growing rapidly at around 25% per annum and we are currently embarking on the first phase of a 200,000 TPA capacity expansion which will allow us to capture a significant market share for this product over the next few years.

SNF maintains viscosity, enhances strength and reduces cement consumption in ready-mix concrete. Although it is mandatory to use this product in most countries, in India, the product is still under-penetrated. This product is a forward integration for one of our finished products – naphthalene. What provides us with optimism is that even at our expanded capacity of coal tar distillation, we will be barely exploring the product's potential. SNF, in addition to the domestic market, has a huge export potential. As a proactive

we rightsized our balance sheet last year in line with the growing product and production scale through an infusion of net worth derived from an equity investment made by Bain Capital

producer, our objective will be to graduate to a niche segment of SNF, expand volumes and raise our competitive barrier.

Q. How does the Company intend to evolve its principally Indian focus to a global outlook?

A. The year 2009-10 must be seen as an inflection point in our endeavour to go global for two reasons:

- One, we accelerated our capacity creation in China – previously slowed owing to an uncertain global outlook; we appointed an experienced team to drive the establishment of the plant and are trending towards an on-time completion.

Exports, as part of the total sales, increased from 2.13% in 2006-07 to 19.60% in 2009-10, reflecting the Company's increasing global appeal.

- Two, we infused capital from Bain Capital, one of the world's most respected financial institutions. As equity investors, they will leverage their global presence to help us jointly evaluate global opportunities, enabling us to capitalise on market opportunities faster. Bain Capital is one of the largest private equity investors in the world with invested funds of USD 60 billion in over 300 leading companies. Himadri was selected as Bain Capital's first investment in India, out of 150 companies they initially evaluated. Bain's global presence will bring knowledge and opportunities to us, enhancing value for all stakeholders.

- Third, the Company is currently actively evaluating several opportunities to expand into other attractive, fast growing regions of the world.

Q. There is a considerable expansion happening within the Company. How is it strengthening its managerial bandwidth to address this agenda?

A. With significant expansion taking place in the Company, it is attracting highly talented professionals across the globe with experience in our line of business. Going ahead, the Company expects to strengthen its managerial capacities as and when required.

Q. How does the Company intend to enhance shareholder value?

A. We closed 2009-10 with quality investors and lenders. We demonstrated no let-up in earnings growth. We possess a gearing of only 0.56, which gives us adequate room to borrow and enhance shareholder value.

Besides, the health of our downstream sectors continues to be robust. India is a growing economy, having recovered faster from the global slowdown.

A combination of our corporate competitive edge and a favourable operating environment gives us the optimism that we are poised for sustainable growth.

Putting knowledge to work

LEADERSHIP OF CORE BUSINESS

HIMADRI HAS BEEN SYNONYMOUS WITH THE COAL TAR PITCH BUSINESS IN INDIA. ONE OF OUR PRIMARY OBJECTIVES IS TO ENHANCE OUR POSITION IN THIS MARKET WHICH IS GROWING RAPIDLY FOLLOWING AN EXPLOSIVE GROWTH IN OUR CUSTOMER SEGMENTS OF ALUMINIUM AND STEEL.

- We made significant investments in our plant and technology to pioneer the production of the highest quality coal tar pitch in India. Our products led the development of stringent quality specifications that enhanced our customers' efficiency and are among the highest process efficiencies in coal tar pitch manufacture worldwide.

- We are fortunate to be serving two fast-growing and essential core sectors of the industrial economy — aluminium and steel. We rapidly added capacity historically and aim to continue doing so. We previously announced that we intend to reach 1 million TPA of coal tar distillation capacity in India. The growth in our customer segments is accelerating and we have currently started on the first phase of a 300,000-TPA expansion project that will be complete in 18 months.

- While our primary location in West Bengal, along with our smaller plants around the country, effectively served all our customers' needs, we are now evaluating potential alternative locations for the addition of a part of the capacity.

We are proud of our pioneering role in the development of the coal tar pitch industry in India. We are focused on remaining the unquestioned leader in this segment. To this end, we are continuously monitoring the plans of competitors, local and global. We are, therefore, well prepared to outperform competition in terms of the pace of capacity additions, the quality and technology of our product, process efficiency and the depth and stability of our customer and supplier relationships.

Putting knowledge to work

INNOVATIVE INTEGRATION

CONVENTIONALLY, COMPANIES MANUFACTURE PRODUCTS, ENHANCE SCALE AND ONLY RARELY INTEGRATE BACKWARD OR FORWARD.

At Himadri, we strengthened our business model by doing all this – and more. We extended the value chain deeper by ensuring that our by-products became raw materials for downstream products, which in turn became raw materials for other products with large growing markets.

- The by-product naphthalene, itself derived from chemical oils which are by-products of the distillation of coal tar, is used in the manufacture of SNF, which, in turn, is used in ready-mix concrete manufacture.
- The by-product creosote oil, derived from the distillation of coal tar, is used in the manufacture of carbon black used by the tyre industry and other rubber applications.
- The green gas generated during carbon black manufacture is used in power generation.
- Advanced carbon material is derived from coal tar, that is, in turn, used in lithium ion battery manufacture.

The Company strengthened its intricately integrated business model by raising distillation capacity nearly 50% in late 2009-10, consequently broadening the overall business model.

Putting knowledge to work

RIGHT QUALITY

CONVENTIONALLY, IT WAS FAR MORE CHALLENGING TO ARRIVE AT THE RIGHT QUALITY WHEN THE RAW MATERIAL WAS DERIVED AS A BY-PRODUCT FROM A COMPLETELY UNRELATED MANUFACTURING PROCESS.

At Himadri, we are proud to have commercialised the manufacture of products through routes completely unrelated to conventional processes. What is more, we succeeded in marketing these products to demanding end users who have run their production lines with raw materials derived from conventional manufacturing routes. Besides, we impressed these customers with our product quality to the point that these reputable companies have now emerged as regular customers. The result is that most of our products, derived as spinoffs, now enjoy an attractive order book.

For instance, naphthalene, derived as a by-product in the distillation process, is turned into SNF, which is used as a ready concrete mix additive that maintains liquidity, enhances strength and reduces cement consumption. Its use is mandatory in most countries but was only recognised recently in India – and is growing.

Besides, the carbon black manufactured by our Company through this non-conventional route achieved demanding product characteristics and is marketed to prominent end users in India today. The quality of the product manufactured has been well accepted and appreciated by end users.

Enabling us to evolve a transaction into a relationship.

Putting knowledge to work

ASSET UTILISATION

CONVENTIONALLY, COMPANIES HAVE BEEN ADEPT AT COMMISSIONING THEIR CORE CAPACITIES ON SCHEDULE.

At Himadri, we enjoy a track record of bringing on-stream varied capacities within committed cost and time.

- Commissioned our carbon black capacity on schedule, resulting in revenues for three quarters of the last financial year
- Commissioned our power plant on schedule in July 2009, helping reduce costs
- Enhanced our SNF capacity at Vapi in March 2010, expected to be commissioned in 2010-11
- Commissioned additional coal tar distillation capacity in March 2010

We didn't just commission these assets on schedule. We maximised asset utilisation of our distillation capacity during the course of the year, which created adequate throughput for all downstream units, translating into correspondingly high asset utilisation levels across all our businesses.

Putting knowledge to work

COST MANAGEMENT

CONVENTIONALLY, COMPANIES HAVE SPUN BY-PRODUCTS TO MANUFACTURE DOWNSTREAM ITEMS WITH THE OBJECTIVE OF ENHANCING REVENUES.

At Himadri, we engaged in the manufacture of downstream products to enhance value or reduce costs, in addition to generating additional revenues.

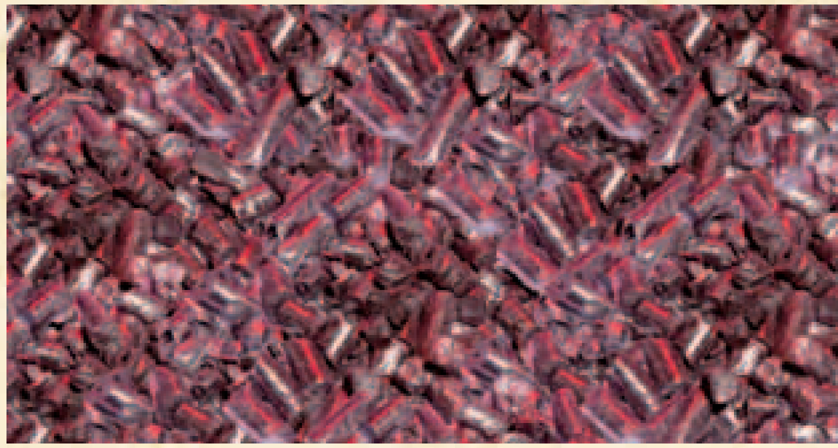
The Company's SNF represents attractive value-addition and plays an integral role in strengthening ready-mix concrete characteristics. The Company expects to leverage the volume potential of this business by substantially enhancing installed capacity.

On the other hand, the Company commissioned a 12-MW power generation capacity using the clean gas derived from the manufacture of carbon black. This will result in additional revenues and value for the Company's business.

Himadri's ability to produce value-added products while reducing costs, inspired Bain, one of the world's most respected financial institutions, to invest in the Company's equity capital in 2009-10.

Product

COAL TAR PITCH



Industry overview

Coal tar is primarily sourced from steel producers with recovery type coke oven batteries where they convert coking coal into low-ash metallurgical coke. Coal tar is distilled to manufacture coal tar pitch and a variety of intermediate chemical products. The end residue is coal tar pitch. It is then processed further to create a complex industrial product with 22 chemical and physical properties.

Location: India and China possess abundant coal tar owing to the concentration of steel manufacturers on the continent. Currently, global coal tar production is estimated at around 18 mn MT, of which 10 mn MT is used for extracting derivatives. Global coal tar pitch production is estimated at around 4.7 mn MT.

Consumers: The aluminium industry is the largest coal tar pitch consumer. Binder grade coal tar pitch is a key ingredient in the manufacture of anode blocks in aluminium smelters. Coal tar consumption in Asia is likely to increase exponentially over the decade owing to a shift in aluminium production from Europe to the Middle East, China and India. Low-cost metal production and bauxite availability are making this shift happen, strengthening coal tar pitch demand in Asia.

The graphite electrode industry is the second-largest coal tar pitch consumer. Impregnating coal tar pitch is used in the manufacture of graphite electrodes, which, in turn, is used in steel production.

The production of graphite in India is expected to rise from 115,000 TPA to 150,000 TPA by the end of 2012 as the two leading producers are increasing their production capacity, strengthening the potential demand of coal tar pitch.

Corporate overview

Himadri is India's largest coal tar pitch manufacturer with four coal tar distillation plants and a leading market share. Three distillation units are located in West Bengal, one in Andhra Pradesh and one pitch melting facility in Chhattisgarh.

Himadri is one of three global companies to manufacture Zero QI CTP, critical for the graphite electrode industry. This value-added product enjoys significantly higher margins.

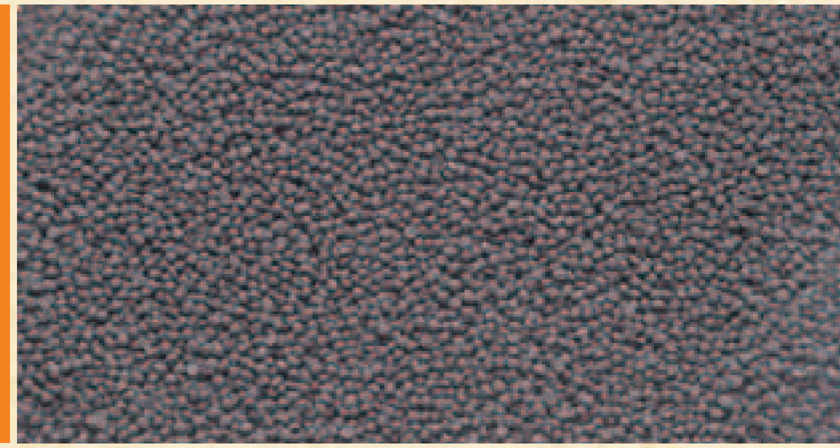
Outlook

The Company embarked on building a coal tar pitch unit in China to strengthen its international presence. The Company is currently embarking on the first phase of a 300,000-TPA capacity expansion to keep pace with customer expansions and resulting demand. Our eventual goal is to create a significant coal tar distillation capacity in India.

During the year, the Company expanded its distillation capacity.

Product

CARBON BLACK



Industry overview

Carbon black is manufactured from carbon black oil, a by-product of the coal tar distillation process. It is one of the world's most important industrial chemicals and widely used in rubber, plastics, coating, conveyor belts and printing inks. Global carbon black demand is around 10 mn tonnes per annum and installed capacity is around 10.5 mn tonnes, the Asia-Pacific accounting for around 50% of the world's demand. India's carbon black demand rose 11% against a production rise of 7% in 2009.

Cost: Tyre manufacture accounts for a majority of total carbon black consumption. The tyre industry's demand is in turn driven by the auto sector. With automotive companies starting to experiencing increasing sales, the tyre industry is expected to grow at a 8.21% CAGR across 2008-13 *(Source: Articlesnatch)*. Domestic auto sales increased 44.94% in January 2010 over January 2009, indicating a rebound in the automobile industry. The Indian auto industry is expected to grow at 10-12% in 2010.

The global carbon black market is expected to grow at a CAGR of 3.6% across 2007-2010, as compared with the domestic market CAGR of 6.6% during the same period. Carbon black demand in the Asia Pacific is expected to grow at a 4.5% CAGR across 2007-2010 *(Source: HDFC Securities)*.

Corporate overview

The Company possesses a 50,000 MTPA carbon black plant, in line with current CTP distillation capacity, and a 12-MW cogeneration power plant in Hooghly, West Bengal. It produces 13 carbon black products of different quality and specifications which enjoy diverse applications in non-rubber and rubber products.

Outlook

The Company intends to scale its carbon black capacity coupled with an additional green gas-based power plant at the existing site in Hooghly. The Company does not intend to become a market leader or the largest manufacturer in the field of carbon black, but to expand its capacity rationally to consume the oil produced by the Company during coal tar distillation. Further, the Company plans to move to the high-value segment of carbon black (speciality black), for which the Company has an advantage in the form of in-house, high-quality raw material.

During the year under review, the Company commissioned its carbon black facility.

Product

ADVANCED CARBON MATERIAL - MESOPHASE

Industry overview

The global market for advanced carbon material is estimated at 29,000 MT and growing at 25% annually. The graphitised product enjoys attractive realisations. Advanced carbon material is produced from coal tar and used in the manufacture of anodes of lithium-ion batteries. These lithium-ion batteries in turn are used in the production of a range of electronic gadgets like mobile phones, laptops, power tools, digital cameras, audio devices, games, medical implant devices and hybrid electric vehicles. The battery is lighter with higher capacity, voltage, longer life and pollution-free.

The lithium-ion batteries currently account for 80% of the global battery market and has been growing at 20% annually over the last few years *(Source: HDFC Securities)*. The opportunity for lithium-ion batteries is expected to be primarily driven by plug-in hybrids and electric vehicles, creating a revenue growth opportunity from USD 878 million to USD 8 billion by 2015 (Pike research).

India adds around 8 to 10 million mobile telephony subscribers a month and is likely to reach half a billion subscribers in 2010. By 2014, India could have a billion mobile subscribers with a penetration of around 80%, driving the lithium-ion battery market and, in turn, the use of advanced carbon material.

Corporate overview

Himadri embarked on the production of advanced carbon material in 2008 through its 100% export unit. It is the only company outside Japan with the technology to manufacture quality advanced carbon material.

Outlook

The Company expects to further expand advanced carbon material capacity in phases.

Himadri developed its own technology to manufacture advanced carbon material for lithium ion batteries.

Product

OTHER DERIVATIVES

Overview

Coal tar distillation generates several by-products that enhance revenues.

Naphthalene: During coal tar distillation, naphthalene is recovered, which is used in SNF (sodium naphthalene formaldehyde) manufacture. Naphthalene is also used in dyes, organic compound intermediates in fine chemicals, pharmaceuticals, phthalic anhydride, moth balls, tanning agents, beta naphthol and disinfectants.

Sulfonated naphthalene formaldehyde (SNF): Himadri's SNF manufacturing facility in Gujarat is taken on long-term lease. During 2009-10, the Company expanded its SNF capacity. SNF is produced in liquid and powder form and used in ready mix concrete for enhanced strength, fluidity and reducing the consumption of cement. It is also used as a dispersing agent in dyes, leather and agro industries.

To serve the rapid growth of the SNF market in India, the Company is embarking on the first phase of a 200,000 TPA capacity expansion which will capture a significant share of market growth and make the Company a major player in the segment.

Himcoat enamel: The Company produces a coal tar-based thermoplastic polymer coating, used as an anti-corrosion agent for underground and offshore pipelines. It is produced from the plasticisation of coal tar pitch, coal tar and its distillates with the addition of inert fillers. The product complies with BS 4164, AWWA C203 and IS 15337 (2003) standards. It is bacteria- and marine organism-resistant, low moisture absorbing, easily applicable, good electrical insulator and inert to soil chemicals, among others.

Himcoat Primer-B: It is a chlorine-based synthetic primer modified with a blend of special solvent along with plasticisers and stabilisers. The product complies with BS 4164 and AWWA C203 standards. Its properties include quick drying under all temperatures, excellent bonding with metallic surfaces and free flowing which gives it extra coverage. It is used for coating oil and gas pipelines, tanks, underground structures, water and sewage pipes, pipe joints and fire hydrant lines.

Himtape: The product complies with AWWA C203 and IS 15337 (2003) standards and has the same applications as Himcoat Primer-B. Product features include ease of application, high water and electrical resistance, excellent adhesion to metal surfaces and resistance to petroleum products, acid and alkali, among others.

The increase in concrete demand is expected to boost SNF demand. The SNF industry, largely dominated by unorganised players, is expected to grow 25% across the next five years. India's existing capacity is mainly concentrated in the western regions. The northern and eastern markets account for considerable SNF demand, but possess inadequate capacities and Himadri is planning to set up plants in these regions.

Success driver 1

RAW MATERIAL MANAGEMENT

IN THE CAPITAL-INTENSIVE BUSINESS of coal tar pitch manufacture, it is imperative to sustain production with a continuous supply of raw material. Coal tar – the Company's primary raw material – is obtained from coke ovens of recovery type through the condensation of gases at a particular temperature.

The Company sources its raw materials domestically from all steel majors in India.

The Company's adequate storage capacity ensures round-the-clock raw material availability. The Company also maintains a high level of raw material inventory to ensure uninterrupted and continuous supply of finished products.

The proposed coal tar pitch plant in China will enable the Company to widen its global reach and secure raw material availability since China is the world's largest coke producer.

Success driver 2

LOGISTIC MANAGEMENT

IN THE BUSINESS OF COAL TAR distillation where material has to be provided to customers on a frequently periodic basis, logistics plays a crucial role in customer delight.

Himadri is advantageously placed in this regard. The Company's plants are proximate to users. For instance, the Company's Korba unit in Chhattisgarh is next to the BALCO plant.

Coal tar pitch is marketed in solid or liquid form. When supplied in liquid form, the product needs to be delivered at high temperatures during transportation. In view of this, Himadri invested in a dedicated fleet of specialised tankers – with electric heaters connected to generators within the vehicles – capable of transporting liquid pitch at temperatures in excess of 200 degree centigrade. The fleet, comprising 80 dedicated tankers, is the largest of its kind in India.

The Company also uses a mix of road and rail to transport products cost-effectively.

Success driver 3

MARKETING

IN A BUSINESS WITH NUMEROUS products, the challenge lies in identifying customers across regions and countries leading to quickest sale and maximum realisations.

The Company's aim is to provide consistent quality, technical and product support along with prompt customer service. Prompt client service and the ability to meet customer specifications resulted in customer loyalty and long-term contracts. The Company partnered with clients – domestic and international – in quality enhancements.

Himadri embarked on the exercise to establish a global presence in China, which will cater to the Chinese market and markets in the Middle East, Africa and CIS countries.

Success driver 4

RESEARCH AND DEVELOPMENT

IN A BUSINESS THAT CAN OFTEN BE dismissed as commodity, the challenge lies in research-led product differentiation.

Himadri upgraded its technology and product parameters to meet evolving client requirements. The Company developed value-added products like advanced carbon material, super plasticiser and carbon black, increasing profitability and widening market presence. The Company is:

- One of three global companies to manufacture Zero Q1 grade impregnating coal tar pitch used in the graphite industry.
- The only company outside Japan to possess the technology to produce meso beads used in lithium ion batteries.

The Company's R&D laboratory is equipped with instruments like Mettler melting point apparatus, wettability testing apparatus, C/H ratio testing apparatus, special microscope (for determining mesophase in pitch), absorption spectrometer and thermo-gravimetric analysers.

The Company intends to strengthen its presence in the value chain by extending to the manufacture of anthraquinone, carbozole, phenolic fractions, quinoline products, indene, fluorine and others. It also intends to extend from carbonisation to the graphitisation of advanced carbon material, enabling it to directly cater to the lithium ion battery market.

Success driver 5

HUMAN RESOURCES

IN THE BUSINESS OF COAL TAR distillation where success is derived through innovation, the ultimate capital is intellectual.

Himadri's promoters enjoy more than two decades of experience in coal tar distillation and by-product utilisation. Besides, their experience is reinforced through employee knowledge and experience.

This knowledge-centricity makes employee recruitment and retention important, supported by 360 degree periodic feedback leading to commensurate remuneration.

The Company's retention policy includes the nurturing of talent, enhancing employee engagement and encouraging employees to inculcate family-like values among themselves. The Company recently introduced a 'mentoring' program.

Himadri's leadership is reflected in the fact that it is an employer of choice within its sector.

Success driver 6

QUALITY

IN THE BUSINESS OF COAL TAR PITCH manufacture, any deviation in chemical properties can result in product rejection and the end product not being manufactured in line with the highest quality standards. The Company invested in modernising its equipment to ensure quality.

The Company strengthened its manufacturing process around stringent norms leading to complete customer satisfaction. The Company's laboratories are equipped with the latest technology and are ISO 9001: 2008 and ISO 14001:2004-certified.

Raw materials, in-process products and finished products undergo strict testing in line with ASTM standards. Statistical process control ensures nationally and internationally standardised product uniformity and quality. The finished products undergo 22 quality checks before being dispatched with test certificates.

INDUSTRY REVIEW

Indian economy overview

The Indian economy rebounded with 7.4% GDP growth in 2009-10 compared with 6.7% in 2008-09. Since the country reported a robust 8.6% growth in the last quarter of 2010-11, the expectations of a full-year 8.5% growth for 2010-11 is forecast.

Aluminium industry review

Global perspective: The aluminium sector is the largest consumer of coal tar pitch. Global aluminium offtake is expected to grow at a 3.8% CAGR from 34.8 MMT to 37.5 MMT across 2009-11.

Demographic shift: Globally, aluminium production is shifting from the West to the East (the Middle East, China and India) owing to rising power costs leading to smelter closures and growing imports in the West. Metal production capacities increased in the Middle East, China and India. Chinese aluminium capacity grew 400% from 4 mn TPA in 2000 to 20 mn TPA in 2010 followed by the Middle East whose capacity grew 250% to 3.3 mn TPA in 2010 and is projected to expand to 4.7 mn TPA by 2013. Correspondingly, India's production capacity rose from 0.7 mn TPA in 2000 to 2.2 mn TPA in 2010. On the other hand, North America's production capacity increased only 6.2% and Western Europe's capacity rose 19% across the decade. Going ahead, Asia is expected to account for 55% of the global aluminum production by 2013 compared with a mere 6% in 1999 *(Source: Commodity online)*.

Indian perspective: India is likely to become the world's third largest aluminium producer by 2013, its primary consumption expected to grow 2% by end 2010. Although India possesses the world's fifth largest bauxite reserves of around 3 billion tonnes and accounts for around 7.5% of the global bauxite reserves, it accounts for less than 5% of the global production. The Indian aluminium industry is emerging as a key player owing to increased consumption, low production cost, vast bauxite reserves and integrated power plants. The country's per capita aluminium consumption is a mere 0.8 kg compared with 25 kg in the US, 19 kg in Japan and 10 kg in Europe, widening industry opportunities.

Global aluminium consumption

Year	Consumption (MT)
2008	38
2009	34.8
2010E	35.4
2011E	37.5

(Source: HDFC Securities)

Steel industry

Global perspective: The USD 500-billion global steel industry is on the path to recovery, driven by consumption growth coming out of China and India. Although the real estate and housing sectors reported a decline in activity in 2009, this was compensated by a growth in sectors like infrastructure, manufacturing and automobiles. According to the World Steel Association, steel consumption will rise 10.7% to 1.241 billion tonnes by end 2010 and reach a high of 1.306 billion tonnes in 2011 *(Source: The Business Line, 22 March, 2010)*.

Asia: Government stimulus packages and infrastructural development led to an increase in steel consumption, Asia accounting for more than half the global metal appetite. Asia's crude steel production was 790 mn tonnes in 2009, 65% of the global production as compared with 58% in 2008. China's steel production was 567.8 mn tonnes in 2009-10 (47% of the global steel production), while its steel consumption is expected to increase to 579 million tonnes by end 2010, a 6.7% increase over 2009.

Indian perspective: India is the world's fifth largest steel producer. In 2009-10, India's steel production increased 4.2% to 59.6 mn tonnes against 57.1 mn tonnes in 2008-09, contributing 4.6% to the global steel production. The increase in production was driven by capacity expansions and higher utilisation. Domestic steel consumption rose 7.6% to 56.32 mn tonne in 2009-10 as against 52.35 mn tonnes last year, owing to rising demand from sectors like automobiles, white goods and construction *(Source: The Financial Express, 6 March, 2010)*.

India's per capita steel consumption of about 45 kg measured poorly against a global average of more than 200 kg *(Source: Economic Times, May 5, 2010)*.

FINANCE REVIEW

Accounting policy

The Company's financial statement was prepared under the historical cost convention method with generally accepted accounting principles prescribed by the Indian Institute of Chartered Accountants and accounting standards as per Section 211(3C) of the Companies Act, 1956. It followed the mercantile system of accounting and recognised income and expenditure on an accrual basis. The Company made all relevant provisions as applicable on 31 March 2010. The absence of any material qualification in the Company's auditors' report indicate that its financials present a true and fair view of the Company's working during the year under review.

Revenue analysis

The Company's revenue (net sales) increased 34.74% from Rs. 37,548.33 lacs in 2008-09 to Rs. 50,593.23 lacs in 2009-10, owing to higher production, superior product mix and attractive realisations.

Revenues by geography: Domestic revenues increased 32.38% from Rs. 30,727.55 lacs in 2008-09 to Rs. 40,677.89 lacs in 2009-10. Export revenues increased 45.37% from Rs. 6,820.78 lacs in 2008-09 to Rs. 9,915.34 lacs in 2009-10. Exports accounted for 19.60% of the total revenue (net sales) in 2009-10.

Cost analysis

The Company's total operating expenses increased 45.77% from Rs. 25,871.79 in 2008-09 to Rs. 37,713.56 lacs in 2009-10 owing to increased operations and costs. Total expenditure, as a proportion of total income, stood at 72.13% in 2009-10 as compared with 75.28% in 2008-09.

Raw material cost: The major raw material consumed was coal tar. Raw material cost increased 37.06% from Rs. 20,336.61 lacs in 2008-09 to Rs. 27,872.41 lacs in 2009-10, owing to higher production. Raw material cost, as a proportion of total income, declined from 53.60% in 2008-09 to 53.48% in 2009-10.

Power and fuel cost: Power and fuel cost increased 125.52% from Rs. 943.07 lacs in 2008-09 to Rs. 2,126.78 lacs in 2009-10 owing to higher fuel consumption due to increased production.

Employee cost: Employee cost increased 69.24% from Rs. 491.29 lacs in 2008-09 to Rs. 831.47 lacs in 2009-10 owing to additional recruitments. As a proportion of total expenses, employee cost increased from 1.90% in 2008-09 to 2.20% in 2009-10.

Manufacturing and other cost: Manufacturing and other costs (excluding power, fuel and employee cost) increased from Rs. 4,100.82 lacs in 2008-09 to Rs. 6,882.90 lacs. This was due to increased discounts and commissions offered to dealers in order to push sales and repairs and maintenance cost incurred during the year. As a proportion of total income, the cost head increased from 10.81% in 2008-09 to 13.21% in 2009-10.

Interest cost: Interest costs increased 46.57% from Rs. 1,902.29 lacs in 2008-09 to Rs. 2,788.10 lacs in 2009-10 owing to an increase in loan funds. However, despite an increase in interest outflow, the Company's interest cover strengthened 189 basis points from 4.32 in 2008-09 to 6.21 in 2009-10, reflecting its increasing comfort in servicing its debt.

Capital employed

Capital employed by the Company increased 58.22% from Rs. 72,725.80 lacs as on 31 March 2009 to Rs. 115,065.45 lacs as on 31 March 2010. This was mainly due to Bain Capital increasing its stake in the Company and fund raised through ECB and equity. Return on average capital employed, which measures the return on every rupee invested, is 21.08% during 2009-10.

Net worth: The Company's total net worth comprised equity share capital and reserves and surplus. Net worth increased 92.48% from Rs. 38,259.23 lacs as on 31 March 2009 to Rs. 73,640.57 lacs as on 31 March 2010, mainly owing to the allotment of equity shares to Bain Capital during the year under review.

Equity capital: The Company's equity shares comprised 3,85,73,257 shares of Rs. 10 each as on 31 March 2010. The Company's equity share capital stood at Rs. 3,857.33 lacs as on 31 March 2010 compared with Rs. 3,185.13 lacs in the earlier period. During the year under review, the Company issued 6.31 mn equity shares of Rs. 10 each to Bain Capital India Investments at a premium of Rs. 390 per share.

Reserves and surplus: The Company's reserves and surplus increased 113.96% from Rs. 32,615.35 lacs as on 31 March 2009 to Rs. 69,783.24 lacs as on 31 March 2010, owing to an increase in surplus profit and free reserves.

Loan funds: The Company's external funds comprise secured and unsecured loans. Total external loan funds increased 20.19% from

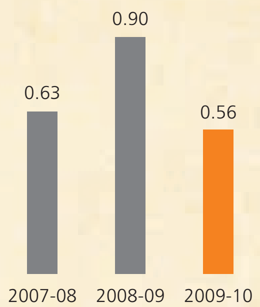
Growing numbers

(Rs. in lacs)

	2008-09	2009-10	Growth (%)
Total income	37,942.65	52,116.76	37.36
Net sales	37,548.33	50,593.23	34.74
EBIDTA	12,852.13	19,793.58	54.01
Profit after tax	4,677.65	10,733.98	129.47
Cash profits	7,613.82	17,326.44	127.57
EPS (basic) in Rs.	14.70	32.34	120.00

Rs. 34,466.57 lacs in 2008-09 to Rs. 41,424.88 lacs in 2009-10. Secured loans increased 11.01% from Rs. 31,272.60 lacs in 2008-09 to Rs. 34,714.88 lacs in 2009-10 as compared with unsecured loans, which increased 110.08% from Rs. 3,193.97 lacs in 2008-09 to Rs. 6,710 lacs in 2009-10. The proportion of secured loans in total loan funds declined from 90.73% in 2008-09 to 83.8% in 2009-10. Unsecured loans comprised 70 foreign currency convertible bonds (FCCB) of USD 100,000 each, totalling Rs. 3,159.80 lacs and issued to the International Finance Corporation.

Debt-equity ratio



Gross block

The Company's gross block stood at Rs. 66,202.05 lacs as on 31 March 2010 as compared with Rs. 32,617.84 lacs as on 31 March 2009, a 102.96% increase. This was mainly owing to the commissioning of the new carbon black facility and the 12-MW power plant and increase in coal tar distillation capacity. The Company followed the method of depreciation in the manner specified in Schedule XIV of the Companies Act, 1956. Depreciation for the year increased 57.75% from Rs. 1,572.28 lacs in 2008-09 to Rs. 2,480.30 lacs in 2009-10 due to the increase in gross block.

The Company's capital-work-in-progress declined from Rs. 25,618.22 lacs in 2008-09 to Rs. 4,420.40 lacs in 2009-10, owing to the completion of its projects.

Investments

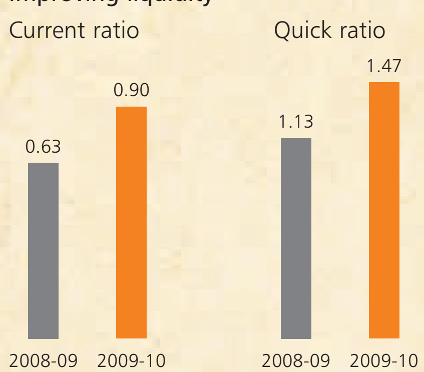
The Company's investment portfolio increased from Rs. 199.96 lacs in 2008-09 to Rs. 20,120.48 lacs in 2009-10, because part of the fund raised from Bain Capital was used to funds its capex programs and the rest (Rs. 20,200 lacs) was invested in mutual funds and fixed deposits.

Working capital

Working capital outlay increased 70.48% from Rs. 23,084.71 lacs in 2008-09 to Rs. 39,353.67 lacs in 2009-10 owing to an increased scale of operations. Working capital, as a proportion of capital employed, stood at 34.20% in 2009-10 compared with 31.74% in 2008-09.

Inventory: The Company's overall inventory increased 65.98% from Rs. 9,555.08 lacs as on 31 March 2009 to Rs.15,859.50 lacs as on 31 March 2010. Raw materials formed 40.10% of the total inventory.

Improving liquidity



Debtors: Debtors increased 80.16% from Rs. 7,484.79 lacs as on 31 March 2009 to Rs. 13,484.57 lacs as on 31 March 2010. Debtors' cycle increased from 63 days of turnover equivalent in 2008-09 to 88 days in 2009-10 following a business growth.

Loans and advances: Loans and advances increased 25.80% from Rs. 11,183.70 lacs in 2008-09 to Rs. 14,069.41 lacs in 2009-10, mainly due to advances paid to subsidiaries and increase in advance tax payments.

Cash and bank balance: Cash and bank balance as on 31 March 2010 stood at Rs. 3,163.64 lacs compared with Rs. 959.61 lacs in the previous year. This was on account of increased balances in the EEFC and fixed deposit accounts.

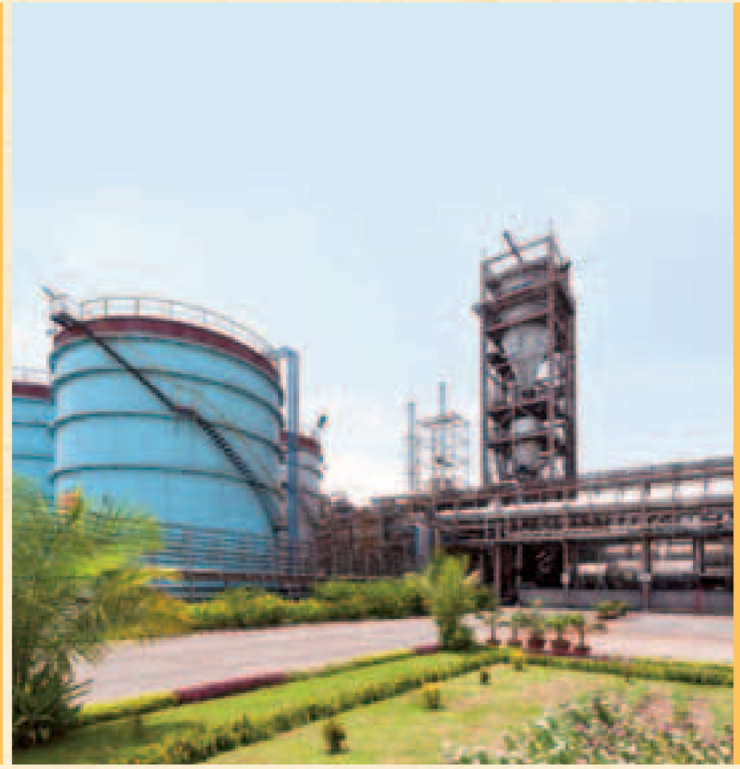
Current liabilities and provisions

Current liabilities and provisions increased 18.45% from Rs. 6,098.47 lacs as on 31 March 2009 to Rs. 7,223.45 lacs as on 31 March 2010 mainly owing to an increased provision for taxation, which stood at Rs. 2,488 lacs as on 31 March 2010 compared with Rs. 732 lacs in the previous year.

Forex management

During the year, the Company imported basic raw material worth Rs. 5,141.64 lacs and capital goods worth Rs. 198.19 lacs (both on CIF basis). Its exports (FOB basis) grew significantly from Rs. 6,739.01 lacs in 2008-09 to Rs. 9,675.83 lacs in 2009-10. The Company reported a net forex gain during the year owing to favourable currency movements and a prudent forex policy.

ENVIRONMENTAL LEADERSHIP AND CORPORATE SOCIAL RESPONSIBILITY



In businesses that can sometimes run afoul of environmental norms, the Company has long established a leadership in maintaining high standards of environmentally safe production processes. These include a plant with minimal leakage of thermal energy, with all of the energy re-used in production process, the use of green clean gas from carbon black production to generate power and the re-processing of potentially toxic gases that are by-products of coal tar distillation.

Our environmental leadership was recognised by the International Finance Corporation (IFC), a member of the World Bank Group, through its investment in Himadri in 2009. IFC conducted extensive Phase II environmental audits with the most stringent global standards which Himadri passed with flying colours, one of the few Indian chemicals companies to enjoy this distinction. IFC continues to renew its audit annually, with the most recent audit completed in January, 2010 which certified high standards in terms of the environmental guidelines followed by the Company.

Moreover, we are excellent citizens of the communities we belong to. At our principal location at Maheshtikry in West Bengal, we run a free dispensary attended by two qualified doctors for local villagers and plant employees. Besides, we are working with the local administration to distribute books and uniforms to local school children; we are setting up tube wells in the area for regular supply of water to the local community. We follow the same philosophy of CSR at our Vapi, Korba and Vizag plants.

RISK MANAGEMENT

What is risk?

Risk represents business uncertainty, which can impact performance.

What is risk management?

Risk management is the process of identifying, evaluating and countering risks with the objective to minimise potential loss.

What is risk management at Himadri?

It is the dedicated management of business risk to contain its impact. This dedicated management comprises formulation, policy, initiatives, prudential norms, structured reporting and control to estimate, quantify and counter risk in an institutionalised manner.

1 Industry risk

Slowdown in any downstream coal tar pitch consuming industry could impact production

Risk mitigation

- Global aluminium consumption is expected to grow 3.9% annually to 60 MMT by 2020 from 34.8 MMT in 2009.
- Aluminium production facilities are shifting from the western world to Asia, especially China and India, closer to the Company's manufacturing centres.
- India's domestic coal tar pitch demand is expected to grow at a CAGR of 31.9% across 2008-2012.
- The global carbon black market is expected to grow at a CAGR of 3.6% across 2007-2010, whereas the domestic market is expected to register a 6.6% CAGR growth during the same period.

2 Funding risk

Unavailability of low-cost fund sources may hamper the effectiveness of capex programmes

Risk mitigation

- The Company strengthened its debt-equity ratio from 0.90 in 2008-09 to 0.56 in 2009-10, creating additional borrowing room.
- The Company's debt funds comprise a prudent mix of secured and unsecured loans.
- The Company's average cost of funds for 2009-10 stood at 7.35%.
- The Company took up an investment plan to expand its capacity in all segments of business in India and China. It would be funded by an optimum mix of debts and equity. The Company received equity from Bain Capital while debts are being arranged as per requirement of projects.
- The Company enjoys a credit rating of AA for long-term funds and PR1+ for short-term funds from CARE.

3 Environment risk

Non-compliance with statutory environment-related recommendations may attract censure and lead to loss of reputation

Risk mitigation

- The Company obtained all necessary environmental approvals from various State Pollution Control Boards in the respective states of its presence.
- The Company invested in effluent treatment plants in all its factories.
- The Company was certified by the environment management system for ISO 14001:2004.
- The Company conducted awareness programs to educate citizens and its employees regarding its production process and the importance of maintaining a clean environment.

4 Operational risk

Operational bottlenecks could lead to lower productivity and profitability

Risk mitigation

- The Company created a cumulative raw material storage capacity, ensuring round-the-clock coal tar availability.
- The Company also invested in coal tar pitch storage tanks to store finished products at optimal temperatures, reducing production time at the customer's end.
- The Company invested in training and documentation to enhance operational consistency.

5 Competition risk

Increased competition may erode market share

Risk mitigation

- The Company enjoys a large share of India's coal tar pitch market.
- The Company enjoys a long-standing relationship with customers; major portion of its income in 2009-10 was derived from customers who have been working with the Company for more than five years.
- The Company's quality commitment to extend into the sophisticated product end strengthened its position as a preferred supplier.
- The Company expanded its capacities proactively, dovetailed with the growing production of its downstream users, protecting its market share.

6 Quality risk

Quality inconsistency could jeopardise relationships with highly esteemed customers

Risk mitigation

The Company's strength has been its quality, well appreciated by customers. It worked over the years with the consumer department, adding various new parameters according to customer requirement in terms of quality and upgrading existing parameters to yield better results.

7 Raw material risk

Inadequate raw material supply could disrupt productivity

Risk mitigation

- The Company secured its long-term raw material sourcing from suppliers
- The Company tried to maintain a three-month raw material inventory at any given point of time to hedge against unforeseen supply disruptions.
- The Company also intends to stock raw material at its coal tar pitch facility in China.

8 Strategy risk

Strategic errors could jeopardise market share and growth

Risk mitigation

- The Company embarked on a project to establish a coal tar pitch plant in China to broaden its international presence.
- The Company embarked on forward integration, opening up avenues with products like advanced carbon material, SNF and corrosion protection products.
- The Company increased production capacities to cater to the growing demand for carbon products.

9 Geography risk

Limited geographic presence can stagger growth

Risk mitigation

- The Company's products are marketed across a number of states in India to downstream sectoral users like aluminium, steel, graphite, automobile, infrastructure and rubber.
- The Company's client portfolio comprises a prudent mix of domestic and international players. Exports accounted for 19.60% of the Company's net revenue in 2009-10.
- The Company's upcoming plant in China is expected to strengthen its global presence.

10 Safety risk

Insufficient health and safety measures may lower employee morale and in turn impact business growth

Risk mitigation

- The Company implemented standard operating procedures in all its production plants, making the use of safety equipment mandatory.
- The Company holds weekly mock safety drills to train workers for managing emergencies.
- The Company commissioned various safety committees like Apex Safety Committee and Plant Level Safety Committee to enhance its safety compliance.

SENIOR MANAGEMENT AT HIMADRI

Amit Choudhary
President (Projects)

Tushar Choudhary
President (Operations)

Anurag Choudhary
CEO

HIMADRI CHEMICALS & INDUSTRIES LIMITED

Directors' Report

Your Directors have pleasure in presenting the 22nd Annual Report, together with the audited financial statements and the Auditor's Report of your Company for the financial year ended 31 March 2010.

Financial Results

The performance of the Company for the financial year ended 31 March 2010 is summarised below:

(Rs. in lacs)

	For the year ended 31.03.2010	For the year ended 31.03.2009
Gross turnover	56,214.31	43,538.54
Other income	1,523.53	394.32
Total income	57,737.84	43,932.86
Operating profit	**19,793.58**	**12,852.13**
Interest and finance charges	2,788.10	1,902.29
Depreciation	2,480.30	1,572.28
Profit before tax & exceptional item	**14,525.18**	**9,377.56**
Exceptional item	-	3,060.21
Profit before tax	**14,525.18**	**6,317.35**
Provision for tax		
Current Tax	2,488.00	710.00
Fringe Benefit Tax	-	22.00
Deferred tax	3,755.92	984.49
MAT credit entitlement	-2,452.72	-76.79
Profit after tax	**10,733.98**	**4,677.65**
Add: Surplus brought forward	12,032.92	8,740.69
Surplus available for appropriation	**22,766.90**	**13,418.34**
Appropriations		
Transfer to General Reserve	1,500.00	1,000.00
Dividend for earlier year	-	6.80
Proposed Dividend	385.73	322.63
Corporate Dividend Tax	64.07	55.99
Balance carried to balance sheet	**20,817.10**	**12,032.92**

Dividend

Your Directors have recommended payment of dividend of Re.1/- per share on 3,85,73,257 Equity Shares of Rs. 10/- each for the financial year 2009-10, subject to approval of members at the ensuing annual general meeting. The total payout on account of dividend (including dividend tax) will be Rs. 449.80 lacs as against Rs. 385.42 lacs in the previous year.

The dividend as proposed is in accordance with the Company's policy to pay sustainable dividend linked to long term performance, keeping in view the capital needs for the Company's growth plans and intent to achieve optimal financing of plans through internal accruals.

Operations

During the year under review, your Company recorded gross turnover of Rs. 56214.31 lacs, against Rs. 43538.54 lacs in the previous year, representing an increase of 29.11% over the previous year. The net profit for the financial year ended 31 March 2010 recorded an increase of 129.47% to Rs. 10733.98 lacs from Rs. 4677.65 lacs in the previous year.

Windmills

During the year 2009-10, the performance of Windmills at Dhule in Maharashtra remained satisfactory and it generated Wind Energy of 38,51,040 KWH Units as compared to 36,65,906 KWH Units of Wind Energy in previous year. The revenue generated of Rs. 150.52 lacs as compared to Rs. 137.58 lacs in previous year.

Subsidiary and Joint Venture

Himadri Global Investment Ltd

Himadri Global Investment Ltd is the Company's wholly-owned subsidiary. The financial statements of the subsidiary company, as required under Section 212 of the Companies Act, 1956, are attached herewith forming a part of this Report. The Company has reported a net loss of Hong Kong $ 23170 for the year ended 31 March 2010, this is basically on account of payment of auditors fees and other statutory charges, as the company is non operational during the year.

Shandong Dawn Himadri Chemical Industry Company Limited ("SDHCICL")

The company has begun the process of setting up green field project in China through its wholly owned subsidiary company i.e. Himadri Global Investment Limited (HGIL) for manufacture of coal tar pitch in Longkou, Shandong Province, China. SDHCICL is a Joint Venture Company with 94% share holding by HGIL.

Consolidated financial statement

As stipulated in the Listing Agreement with stock exchanges, the Company prepared consolidated financial statements in accordance with the relevant accounting standards issued by the Institute of Chartered Accountants of India. The Audited Consolidated Financial Statements along with the Auditor's Report thereon form part of the Annual Report.

Expansion, modernisation and diversification

Carbon Black

After successful completion of 50,000 MTPA in 1st phase of expansion programme during the year, the company embarked upon further expansion to manufacture Carbon Black at Mahistikry, Hooghly, W.B.

Captive Power Plant

During the year under review, the company has successfully commissioned captive power plant of 12 MW at Mahistikry, based on waste heat gas generated during the process of manufacture of carbon black. The company with a view to make the proposed expansion of Carbon Black project, viable and cost effective has proposed to expand the capacity of its' power plant.

The cost of these expansions will be partly financed by Equity, term loans and partly through internal accruals.

Finance

Allotment of shares upon conversion of warrants

During the year 2009-10, the Company allotted 4,12,000 equity shares of Rs. 10 each at a premium of Rs. 416 per share upon conversion of equal number of warrants issued to Citigroup Venture Capital International Growth Partnership Mauritius Limited in the year 2007-08. The Company has received the balance final consideration of Rs. 177.16 lacs on allotment of these shares, which was utilised for capital expenditure.

Preferential issue of shares

The company with an object to part finance its expansion plans and to meet the increased demand of working capital during the year has mobilised funds of Rs. 252.40 Crore by means of issue and allotment of 63,10,000 equity shares of Rs. 10/- each to Bain Capital India Investments, on preferential basis at price of Rs. 400/- per share, in terms of the special resolution passed by the shareholders at the Extra Ordinary General Meeting held on 29 January 2010

Consequently, the subscribed, issued and paid up capital of the company has been increased to Rs. 38,57,32,570/- divided into 3,85,73,257 equity shares of Rs. 10/- each. These additional shares issued during the year have been listed at the Stock Exchanges of BSE and NSE.

Foreign Currency Convertible Bond (FCCB)

During the year 2009-10, the company has issued Foreign Currency Convertible Bond (FCCB) for aggregate value of USD 7.00 millions to International Finance Corporation (IFC) for financing its' carbon black project including captive power plant and coal tar pitch expansion project at Mahistikry in West Bengal.

Foreign Currency Loan (ECB)

During 2009-10, the Company has availed foreign currency loan (ECB) of USD 7 millions from International Finance Corporation (IFC) and USD 10 millions from DBS Bank Limited to finance its' carbon black project including captive power plant and coal tar pitch expansion project at Mahistikry in West Bengal.

Authorised capital

During the year 2009-10, the company with a view of giving effect to the various capital raising proposals has increased the authorised capital existing from Rs. 50 Crore to Rs. 70 Crore by way of passing an ordinary resolution through the postal ballot held pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules 2001.

Working Capital

During 2009-10, the Company has been sanctioned enhanced working capital facilities under multiple banking arrangements from DBS Bank Limited and ICICI Bank Limited. The Company has been regular in servicing these debts.

Credit Rating by CARE

During the year under review, Credit Analysis & Research Ltd (CARE) assigned the Company with a CARE AA- for its' Long Term bank facilities and Non Convertible Debenture and PR1+ for its' short term bank facilities and Short Term debt (including commercial paper).

Capital expenditure

During 2009-10, the Company incurred a capital expenditure of Rs. 123.86 Crore (excluding Capital work-in-progress).

Directors

Mr. B. P. Dhanuka, was appointed as additional Director on the Board with effect from 28 January 2010. The company has received notice from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. B. P. Dhanuka, to be appointed as Director of the Company at the ensuing annual general meeting of the company and accordingly the resolution for appointment of Mr. Dhanuka, is placed before the members for their consideration.

Mr. S. K. Goenka, an Independent Director of the Company has resigned during the year.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. D. P. Choudhary and Mr. S. K. Saraf, Directors of the Company, retire by rotation and are eligible for reappointment. Particulars of the Directors seeking reappointment are given in annexure to the notice.

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

Information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required to be given pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in Annexure "A" to the Directors' Report.

Particulars of employees

Information in accordance with the provisions of section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, regarding employees is given in Annexure "B" to the Directors' Report.

HIMADRI CHEMICALS & INDUSTRIES LIMITED

Corporate Governance

Your Directors strive to attain high level of Corporate Governance while interacting with all the stakeholders. Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a separate section on Corporate Governance, together with a certificate from the Company's Auditors, confirming the compliance of conditions of Corporate Governance, is given in Annexure hereto forming part of this Report.

Management discussion and analysis

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

Directors' responsibility statement

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

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

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

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

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

Public deposit

The Company has not accepted any deposit from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956, during the financial year 2009-10.

Auditors

The Statutory Auditors M/s. S. Jaykishan, Chartered Accountants, retires at the ensuing Annual General Meeting and are eligible for reappointment. The Company received a letter from them to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1-B) of the Companies Act, 1956 and they are not otherwise disqualified within the meaning of sub-section (3) of Section 226 of the Companies Act, 1956 for such appointment.

With reference to the observation made by the Auditors regarding fixed assets records, we are to state that the Company maintains proper records of the fixed assets, whereas the details of certain fixed assets are under compilation. The efforts are being made to complete these records at the earliest

Listing on stock exchanges

The Company's equity shares continued to be listed on the Bombay Stock Exchange Limited (BSE), the National Stock Exchange of India Limited (NSE) and The Calcutta Stock Exchange Association Limited (CSE) and the Company regularly pays the listing fees to the stock exchanges.

Dematerialisation of shares

There were 3,74,79,104 equity shares of the Company held by the shareholders in dematerialised form as on 31 March 2010, representing 97.16% of the total paid-up capital of the Company. The Company's equity shares are compulsorily required to be traded in dematerialised form; therefore, members are advised to expedite the process of converting the physical shareholding into dematerialised form through their D/P(s).

Industrial relations

The industrial relations across all the works / units and factories of the Company continued to be cordial during the year under review. The management, with a view to build a strong and efficient human capital in the Company, endeavors to provide excellent work environment and full motivation to every employee.

Acknowledgement

Your Directors wish to place on record their appreciation for the continued support and cooperation extended to the Company by its customers, shareholders, bankers, suppliers, various regulatory and government authorities and other business associates. Your directors wish to place on record their sincere appreciation for the commitment, dedication and hard work put in by every employee of the company for their contribution towards the progress of the company.

For and on behalf of the Board

	Sd/-	Sd/-
Place: Kolkata	**B.L. Choudhary**	**S.S. Choudhary**
Date: 28th May, 2010	*Managing Director*	*Executive Director*

Annexure "A" 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 31 March 2010.

A. Conservation of energy

Serial number	Particulars	
a)	Energy conservation measures taken	Your Company continues to give priority on the conservation of energy on an on-going basis and wherever possible energy conservation measures have been implemented. The efforts to conserve and optimise the use of energy through improved operational methods and other means will continue.
b)	Additional investment and proposals if any, being implemented for reduction of consumption of energy	The Company has installed clean and green gas based Power Plant at Mahistikry, Hooghly, W.B. with an additional investments. Further the Company has plan to expand the capacity of this power plant.
c)	Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods	The impact of above measures is expected to further reduce the cost of consumption of energy and power and consequently cost of production. This also makes company eligible for carbon credit.
d)	Total energy consumption and energy consumption per unit of production	As per Form A (annexed)

Total energy consumption and energy consumption per unit of production was as under

FORM - A

Form for Disclosure of Particulars with respect to conservation of energy

1. Power & fuel consumption

	Unit	Current Year	Previous Year
i) Electricity			
a) Purchased			
Unit	Kwh	28,13,702	46,31,956
Total	Rs.	1,49,68,459	2,04,55,216
Rate per unit	Rs./Kwh	5.32	4.42
b) Own generation through Power Plant	Kwh	2,43,10,258	Nil
c) Total Units Consumed (a+b)	Kwh	2,71,23,960	46,31,956
ii) Fuel			
Quantity	Kltrs	9559.003	3,775.501
Total cost	Rs.	16,83,41,978	6,87,65,341
Average rate	Rs/Kltr.	17,610.83	18,213.57
iii) Diesel			
Quantity	Ltrs	5,86,800	1,34,223
Total cost	Rs.	2,10,63,921	50,86,243
Average rate	Rs./Ltr.	35.90	37.87

HIMADRI CHEMICALS & INDUSTRIES LIMITED

2. Consumption per unit of production

	Unit	Current Year	Previous Year
Total production of Carbon Material and Chemicals	MT.	2,41,454	1,57,398
Electricity	Unit/ MT	112.336	29.428
Fuel	Ltrs/MT	39.589	23.987
Diesel	Ltrs/MT	2.430	0.853

B. Technology absorption

FORM - B

Disclosure of particulars with respect to technology absorption and Research and Development
Research and Development (R & D) and benefits derived thereon

1. Research and Development Department of the Company continued to play a vital role in the following areas:
   a) Better control in process for improving quality of the output.
   b) Finding out ways and means for saving of energy and cost.
   c) Development of new product / discovering new method of analysis.
   d) Re-cycling of wastes and research on utilisation of waste.

2. Benefits derived as a result of the above R & D
   a) Maintained leading position in domestic market.
   b) Achieved better efficiency in fuel consumption.
   c) Managed better control on inputs and thereby improved the quality of output to match international specifications.
   d) Optimised resource usage and refined process technology.
   e) Used different combination of inputs in the manufacturing of coal tar pitch with improved quality.
   f) Developed the manufacturing process of Super Plasticiser.

3. Future plan of action
   The Company is planning the development of mesophase pitch, carbon fibre, needle coke and various high value-added oil derivatives.

4. Expenditure on R & D
   Capital expenditure as well as recurring expenditure incurred from time to time during the year on laboratory items, tools, spares, handling equipments and salaries of research personnel remain merged with various heads as per established accounting policy and expenditures incurred during the year under review on Research & Development are as follows :-
   a) Capital expenditure : Rs. 121.86 lacs
   b) Recurring expenditure: Rs. 60.25 lacs
   c) Total Research & Development expenditure: Rs. 182.11 lacs
   d) Total R & D expenditure as a percentage of total turnover: 0.36%

C. Foreign exchange earning and outgo

	Current Year (Rs.)	Previous Year (Rs.)
Total foreign exchange used	85,54,92,224	62,99,20,875
Total foreign exchange earned	99,15,33,615	68,92,90,825
Activities relating to exports; initiatives taken to increase exports; development of new export markets for the products and services and export plans;	The company has taken various measures to increase the export of its' products and developed new markets in Argentina, Singapore, Japan, Indonesia, South Africa, Malaysia, Vietnam, Sri Lanka and Bangladesh.	

Annexure "B" to the Directors' Report

Statement pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 drawing remuneration not less than rupees two lac per month.

Sr No.	Name	Age	Designation / Nature of Duties	Gross Remuneration Rs.	Qualifications	Total experience	Date of commencement of employment	Last employment held- Period and post	Whether relative of any Directors	Percentage of shares held (%)
1.	Mr. Bankey Lal Choudhary	58 Yrs	Managing Director (Overall In-charge of the Company)	14,70,000	B.Com	33years	30.11.1994	N.A.	Yes	0.39%
2.	Mr. Shyam Sundar Choudhary	66 Yrs	Executive Director (Administration-H.O.)	14,70,000	B. Com	41 years	30.11.1994	N.A.	Yes	0.84%
3.	Mr. Vijay Kumar Choudhary	54 Yrs	Executive Director (Administration – Vizag. Plant)	14,70,000	B.Com	29 years	28.09.1993	N.A.	Yes	0.85%

Notes : 1. The nature of employment in all cases is contractual

2. Salaries of these Directors increased w. e. f. 1 January 2010.

For and on behalf of the Board

Place: Kolkata	Sd/- B.L. Choudhary *Managing Director*	Sd/- S.S. Choudhary *Executive Director*
Date: 28th May, 2010		

Management Discussion & Analysis

Company background & Nature of business

The Company is engaged in the processing of Coal Tar, to produce Pitch and several other value added by-products. During the year under review the company has successfully commissioned the plant to manufacture Carbon Black with annual capacity of 50,000 MT and coupled with a power plant of 12 MW capacity based on waste heat gas at Mahistikry. The expansion of Coal tar pitch at Mahistikry has also completed. It has manufacturing units in Andhra Pradesh, Korba (CGS) and West Bengal. Coal Tar is the primary input for distillation and for manufacture of various grades of Pitch which is used as an input in aluminum and graphite. India is one of the leading producers of aluminum in the world with largest reserves of bauxite. Himadri is the largest supplier of Coal Tar Pitch in the country. The domestic market has shown positive growth in terms of overall consumption of Coal Tar Pitch. The Company is in a position to cater not only to the growth of Aluminum Industries in India but also there is a scope for extended foreign trade by exporting surplus to Europe and the Eastern Countries.

The company having two windmills in Maharashtra, having capacity to produce wind energy of 2.5 MW. These windmills are fully operational and during 2009-10, it has generated revenue of Rs. 150.52 lacs with production of 38.51 lacs Kwh Units of wind energy. The company, with a view to expand its operations in global market, entered into a Joint Venture agreement with Chinese company, through its Wholly Owned Subsidiary Company (Himadri Global Investment Limited, Hong Kong) to set up a greenfield plant for coal tar distillation in Longkou, Shandong Province, China and the construction is in full swing.

Expansion

After successful commissioning of Carbon Black project of 50,000 MTPA the Company has further embarked upon expansion of the capacity of its' Carbon Black Plant and its' Power Plant. The management is optimistic that with these expansions, both these plants would be viable and cost effective.

Opportunities

Exports Market

During the year under review the company has identified new markets for its' product Carbon Black and Coal Tar Pitch. The company has taken various measures to increase its' export and developed new markets in Argentina, Singapore, Japan, Indonesia, South Africa, Malaysia, Vietnam , Sri Lanka and Bangladesh. The management is optimistic about the future development particularly in export front. The Company, with a view to cater the demand in international market, expanded its operation through its wholly-owned subsidiary company. It has entered into a joint venture in China and the management is hopeful for better results.

Forward integration and expansion

During the year, the Company completed the installation of a composite plant at Mahistikry in West Bengal by way of forward integration for the manufacture of carbon black with annual capacity of 50,000 MTPA and power plant of 12MW capacity based on waste heat gas.

During the year 2009-10 the Company has successfully completed the expansion of existing coal tar distillation .

Financial perspective

The Company, during 2009-10 has been sanctioned of higher working capital from its bankers. It raised foreign currency loan (ECB) of USD 7 millions from International Finance Corporation and USD 10 million from DBS bank to part finance its project of Carbon Black and Power plant at Mahistikry. The company during the year has issued Foreign Currency Convertible Bonds (FCCB) of USD 7.00 millions to International Finance Corporation (IFC).

Preferential Issue of shares:

During the year 2009-10 the company has issued 63,10,000 equity shares to Bain Capital India Investments on preferential basis at a price of Rs. 400/- per share in terms of Special Resolution passed by the shareholders at the EGM held on 29 January 2010. The Investor has given open offer in terms of SEBI (SAST) Regulations and acquired further shares from the public.

E. R. P.

The E.R.P. system in the company is operational and it is in full swing. The management has successfully implemented the ERP System in the company inter-connecting all the units and divisions. Since enterprise resource planning (ERP) is a new system and is at the evolution stage, its implementation and success is largely dependent on the sincere efforts put in by the personnel. The management provided full training to the employees through outside professional in this field so as to take full benefit of the system.

Management Systems

Himadri has established a Det Norske Veritas Management System which adheres to the quality management system standards prescribed by ISO 9001: 2000. The objective of this system is to consistently improve and promote sound management systems which ensure a greater degree of satisfaction to its customers. The certification is subject to renewal by 2011. Further the company has been certified as per ISO 14001:2004.

Credit Rating by CARE

The company during the year obtained rating for its' Bank finance and short term borrowings and the Credit Analysis & Research Ltd (CARE) assigned the Company with a CARE AA- for its' Long Term bank facilities and Non Convertible Debenture and PR1+ for its' short term bank facilities and short term debt (including commercial paper).

Threats

Transportation

Transportation is one of the major threats to distillation industry to which the company operates. It requires special tankers for handling the raw materials as well finished goods. Himadri heavily depends upon the road transport. Liquid form of the raw material procured from major steel plants across the country, requires the availability of tankers to ensure the adequate flow of materials without any interruption of the production process. Further, the cost of transportation remains a serious concern since the price of crude oils at international level continues to surge which have a direct bearing on the cost of the Company's input.

Human Resources

The Company has been continuously growing into becoming a multi products business. Its' human capital is inherent capabilities of its people. The company had adequate employee strength across all the units as on 31 March 2010. A successful management team recognises that nurturing and recruiting the best talent is vital to the long term success of the enterprise. The inability to retain such talent might have an adverse impact on the business and the future performance of the Company. Employees are provided with continuous opportunities for better learning and development which are viewed as key drivers of their personal growth and the success of the Company. The management expects to retain experienced manpower through attractive remuneration package links directly with performance. This performance management system reinforces our work ethics.

Recruitment

Recruitment of best talent and creation of motivated work force is a challenging task and to retain it for a longer period is another challenge. In order to maintain best pool of talent, we at Himadri, recruit people at beginning of their career and provide them ample opportunities of training and absorb in the organisation.

HIMADRI CHEMICALS & INDUSTRIES LIMITED

Training & Development

Providing adequate training and development of Human capital is the part of company's HR Policy. Himadri provide in-house training to its' employees at the start level through the experience and qualified team of professionals which sharpen the employees talents, develop their expertise and enhance their ability and entrepreneurial skills through a comprehensive training programme.

Compensation

To provide best compensation package during the training, is Himadri's part of HR Policy. We at Himadri, has the promotional policy, incentive linked with performance with employee concerned. Right person at right job is our policy. With a view to keep our compensation package comprehensive and competitive and benchmarked with market standards, surveys are conducted on regular intervals. Reward and Recognition policy has also been adopted to recognise and appreciate significant acts of the team member and reward it. All these measures have helped to create a dedicated, inspired, innovative and committed team.

Safety Measures

To provide adequate safety equipments to each employee at work place is Himadri's top priority. Each team member has been equipped with Helmets, Boots, and Jackets. The fire-fighting equipments are also available / accessible in and around the work place. The company has obtained adequate medical insurance coverage and Group Gratuity Insurance for its employees.

Employee Relation

With the adoption of productive and performance based policy at Himadri, we have had zero work interruption in the last five years which indicate the strong Employee Relations.

Enhancing shareholders value

Your Company's long-term strategic vision is to create value addition to the wealth of the shareholders. All the operations of the Company are well guided and aligned toward maximising shareholders value. The new projects for capacity expansion and diversification have been taken up for enhancement of growth in sales and profitability.

Risks & concerns

Management

Himadri is exposed to specific risks that are particular to its business and the environment within which it operates, including inter-alia, market risks, competition, human resources risk and economic cycle risk, among others. The management is aware that all industries face cyclical risks. In addition to this, the Government policies of imports, exports, taxation, service tax, sales tax laws, depreciation, interest rates and other related area, also have a direct or indirect impact on the performance of the Company. Apart from these, unforeseen natural disasters, geo-political problems, also have an adverse impact on the performance of the company. The Company's entire raw materials come from domestic procurements and imports. However, with further expansion, it may not be possible and the management therefore, has been actively engaged in identifying new and alternate sources of raw materials. The Indian economy has been showing positive growth for the last couple of years and any change or downfall in the growth rate could adversely impact performance of the company. The Company carries out a detailed risk management exercise for purposes of identification processes and controls to mitigate these risks. The Audit Committee reviews the risks management framework of the Company and approves risk management action plans.

Statutory Compliance

The Company Secretary, as Compliance Officer, ensures compliance with the SEBI regulations and provisions of the Listing Agreements. The Chief Financial Officer (CFO) acts as the Compliance Officer for the prevention of insider trading and looks after and to take appropriate steps to strengthen the financial position of the company. The company, with a view to cover the risk of compliance with various rules and regulation of the Companies Act, SEBI and Listing Agreements, has adopted a system of obtaining declaration from designated persons of such compliance. It obtains confirmation from the various units of the Company of compliance with all the statutory requirements. A declaration regarding compliance with the provisions of the various statutes is made by the Managing Director and or by Chief Financial Officer.

Internal control systems

Himadri has an adequate system of internal control over financial reporting of all transactions. The Company has well established comprehensive internal control systems, process, rules, policies and procedures for effective monitoring and control of the entire operations of the Company and its subsidiary. With a view to ensure effective controls and implementation of policies of the management, the company appointed an efficient team of professionals. The finance department is well staffed with experienced and qualified personnel who play an important role in implementing and monitoring the internal control environment and compliance with statutory requirements.

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

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

The department functions independently to ensure smooth operations of the organisation. It closely monitors and evaluates the efficacy and adequacy of internal control systems, their compliance with operating systems, accounting procedures and policies at the Company's all locations, including its subsidiary. The department follows risk-based audit approach and draw annual audit plan based on the risk perceived on each business process, validated by the line management and top management. The audit plan is usually approved by the senior management team. The management has been continuously reviewing the performance of these professionals to ensure adherence to the management policies. The internal control systems are constantly reviewed and updated.

Outlook

The outlook of the industry within which the company operates, despite certain market constraints, seems to be positive, since it has adopted various expansions to meet the increased demand of the Company's product. The Company also selected the diversification route to utilise the optimum resources available within the Company and to increase the efficacy by using the waste heat gas and converting it into power. This will serve twin objectives; reducing the dependence and minimising the over all cost of the final products. It has embarked upon further expansions, producing higher value added items. The management is optimistic about sustaining the pace of growth in the foreseeable future.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be of forward looking statement, within the meaning of applicable securities laws and regulations. The actual results could differ materially from those expressed or implied. The factors that could affect the Company's performance are the economic and other factors that affect the demand – supply balance in the domestic market as well as in the international markets, changes in government regulations, tax laws and other statutes and host of other incidental implications.

Corporate Governance

1. The Company's Corporate Governance Philosophy

The company has always set high projections for it's' growth plans, profitability, customers satisfaction, increasing the shareholders wealth and continues its commitments to high standards of corporate Governance. To the company, corporate governance means, ensuring good governance through disclosures, transparency, integrity, accountability, responsibility and fairness in all its dealings with employees, shareholders, customers, suppliers and society at large. Good Corporate governance is an essential ingredient of good business relating to a system or processes that direct corporate resources and management strategies towards maximisation of stakeholders' confidence while ensuring transparency and accountability in the conduct of business within an acceptable limit of legal and ethical frame work. The Company adopts the best practices in the area of Corporate Governance, thereby protecting the interest of all its stakeholders. The Board considers itself as trustee of its Shareholders, acknowledging its responsibilities to the shareholders for creating and safeguarding their wealth. During 2009-10, the Board continued its endeavors for achieving these objectives by adopting and monitoring corporate strategies, prudent business plans, major risks and ensured that the company pursues policies and procedures to satisfy its ethical responsibilities. Himadri is committed to doing business in an efficient, responsible, honest and ethical manner. Good Corporate Governance goes beyond compliance and involves a company-wide commitment. This commitment starts with the Board of Directors, which executes its responsibilities on Corporate Governance by focusing on the Company's strategic and operational excellence and in the best interest of all our stakeholders, employees and other customers in a balanced fashion with long-term benefits to all. The business policies are based on ethical conduct, health, safety and a commitment to building long-term sustainable relationships.

The company is in compliance with all the requirements of the corporate governance code as stipulated in Clause 49 of the listing agreement.

2. Board of Directors

The company has an optimum combination of Executive and Non-Executive Directors. The Board consists of nine directors as on 31 March 2010, out of which three are executive directors and six are non-executive. The chairman of the Board is a promoter director and half of the Board is independent. The composition of the Board is in compliance with the requirements of clause 49(I) (A) of the listing agreement with the stock exchanges.

The Company had no pecuniary relationship or transactions with the Non-Executive Directors during 2009-10. The Independent Directors are not related to promoters or persons occupying management positions at the Board level or any level below the Boar d; they were neither in employment for the last three years nor they are material suppliers, service providers or customer or a lessor or a lessee of the company, which may affect their independence. They do not hold a substantial share in the company. All these directors are above 21 years of age.

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

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

Board Procedure

The members of the Board are provided all information and documents as per Annexure IA of Clause 49 pertaining to the matters to be considered at each board and committee meetings, to enable the Board to discharge its responsibilities effectively and the Chairman and managing director reviews the overall performance of the Company.

Meetings of the Board of Directors

During 2009-10, five meetings of the Board of Directors were held i.e., on 29 June 2009, 21 July 2009, 16 October 2009, 31 December 2009 and 28 January 2010. The maximum time gap in between two meetings was not more than four months and the required minimum information were made available to the Board for discussion. The dates for the Board Meetings were decided well in advance and communicated to the Directors and stock exchanges. The agenda along with the explanatory notes were usually sent in advance to the Directors.

The names and categories of the Directors on the Board, their attendance at the Board meetings held during the year and at the last Annual General Meeting, as also the number of Directorship and committee membership position as held by them in other public limited companies as on 31 March 2010 are given hereunder

Serial number	Directors' name	Category	Number of Board meetings attended	Attendance at the last AGM	Directorship in other public companies	Number of committee position held in other public limited Companies	
						As Chairman	As Member
1	Mr. D. P. Choudhary	Promoter, Chairman Non-Executive	3	No	4	-	-
2	Mr. S. S. Choudhary	Promoter Executive	5	Yes	3	-	-
3	Mr. B. L. Choudhary	Promoter Managing Director	5	Yes	5	-	-
4	Mr. V. K. Choudhary	Promoter Executive	5	Yes	4	-	-
5	Mr. S. K. Goenka	Independent Non-Executive	3	Yes	Nil	-	-
6	Mr. S. K. Saraf	Independent Non-Executive	5	No	Nil	-	-
7	Mr. S. K. Banerjee	Independent Non-Executive	5	Yes	3	-	-
8.	Mr. S. K. S. Narayan	Independent Non-Executive	0	No	1	-	-
9.	Mr. Vivek Chhachhi	Nominee of Citigroup	2	No	5	-	-
10.	Mr. B. P. Dhanuka *	Independent Non-Executive	0	NA	Nil	-	-

• Mr. B. P. Dhanuka was appointed as an Independent director on the Board on 28 January, 2010

• Mr. S. K. S. Narayan resigned w.e.f. 29.06.2009

Code of Conduct

The company has prescribed code of conduct for its directors and senior management. The declaration from the Managing Director stating that as on 31 March 2010 all the board members and the senior management personnel of the company have adhered to the code of conduct for the financial year 2009-10 and the same has been included in this report.

3. Committees of Board

The Board committees function in specific area and take informed decision within delegated authority. Each committee of the Board exercise its functions within the scope and area as defined while constituting it. These committees are constituted in accordance with the listing agreement and the Companies Act, 1956. The company has the following seven committees:

Audit Committee
Remuneration Committee
Share Transfer Committee
Investors' Grievance Committee
Finance Committee
Share Issue and Allotment Committee
Limited Review Committee

Audit Committee

The Audit Committee, inter-alias, provides assurances to the Board on adequacy or otherwise on internal control system, financial disclosures and ensures due observance of the generally accepted accounting principles as also compliance of Accounting Standards (AS) prescribed by the Institute of Chartered Accountants of India. The Committee provides guidance to the management in preparing of annual as well as periodical financial statements before they are submitted to the Board. It liaisons with the Company's statutory auditors. The functions of this Committee include reviewing the adequacy of audit functions, its structures and discussions with auditors on any significant findings and follow-up therewith. In short, the role of the committee is broadly in conformity with the one laid down in the Listing Agreements with the Stock exchanges and Section 292A of the Companies Act, 1956.

Composition

The Company constituted an Audit Committee in terms of Clause 49 of the Listing Agreement consisting of three Directors as members and two-third of its members is Independent. The Chairman of the Audit Committee is an Independent and Non-Executive Director with a decade-rich experience in finance and accounts.

The Audit Committee met five times during the previous year with a maximum time gap of about four months, i.e., on 20 April 2009, 29 June 2009, 21 July 2009, 16 October 2009 and 28 January 2010. The Committee reviewed the results of operation; Statement of significant related party transactions (as defined by the audit committee) submitted by management. The composition of Audit Committee and the details of meetings attended by the each of Directors are given below:

Sl. No.	Names of members	Status	No of meetings attended
1	Mr. Surendra Kumar Goenka	Chairman Non-executive Independent	4
2	Mr. Sushil Kumar Saraf	Member Non-executive Independent	4
3	Mr. Shyam Sundar Choudhary	Member Executive Director	5

Remuneration Committee

a. Constitution

The Company has constituted, though not mandatory, a Remuneration Committee comprising of Mr. Sushil Kumar Saraf, as Chairman, Mr. D. P. Choudhary and Mr. Surendra Kumar Goenka, as members. The Committee is empowered to fix, review, approve and recommend the remuneration payable to Wholetime Directors and Executives. The committee met once on 31 December 2009 during the year and reviewed the remuneration paid/ payable to its Whole time Directors. The overall attendance at the meeting of the remuneration committee was 100%.

b. Remuneration policy

The remuneration of the Wholetime Directors/ Managing Director is decided by the Board based upon the recommendations of the Remuneration Committee, subject to the approval of the company in general meeting, which inter-alia is based on the criteria such as industry benchmarks, Company's performance, and the performance of the individual director concerned. The company pays remuneration by way of salary to Wholetime Directors. Remuneration of the Executives and employees largely consists of basic salaries, perquisites and incentives. The component of the total remuneration varies from grades and is governed by the industry pattern, qualifications, experience and the responsibilities carried on by the individual employee concerned. The objectives of the remuneration policy are to motivate the deserving employee in improving their performance, along with recognising their contributions, retain best talent in the organisation and record the merits.

c. Remuneration to Directors

No remuneration is paid to any Independent / Non-Executive Directors, except sitting fee. All managerial remuneration for Executive Director/ Wholetime Directors were approved by the shareholders at the Annual General Meeting and paid in accordance with the Section-I, Part-II of Schedule XIII appended to the Companies Act, 1956. A statement on the remuneration paid to the Executive Directors during the year ended 31 March 2010 is given hereunder:

Sl. No.	Name of the Directors	Designation	Gross Salary (Rs.)
1	Mr. S. S. Choudhary	Executive Director	14,70,000
2	Mr. B. L. Choudhary	Managing Director	14,70,000
3	Mr. V. K. Choudhary	Executive Director	14,70,000

d. Remuneration to Independent / Non-Executive Directors (Sitting fees)

Sl. No	Name of the Directors	Amount of sitting fees paid (Rs.)
1	Mr. S. K. Banerjee	50,000
2	Mr. S. K. Saraf	50,000
3	Mr. S. K. Goenka	30,000
4	Mr. Vivek Chhachhi	20,000
5.	Mr. D. P. Choudhary	30,000

Share Transfer Committee

The Board has formed a Share Transfer Committee consisting of Mr. S. S. Choudhary, as the Chairman, Mr. S. K. Goenka and Mr. S. K. Saraf as its members. The Committee approves transfer of shares, consolidation /sub-division of shares, and other allied matters.

In accordance with Cause 49 Para IV (G) (iii) of the Listing Agreement of the Stock exchanges, and in order to expedite the process of share transfer and the redressal of investors' grievances, the Board has unanimously delegated its powers with a senior employee, who periodically visits the office of the Company's Registrar and Share Transfer Agents M/s S. K. Computers and monitors the activities.

The Committee holds periodical meetings for Transfer and Transmission of shares and co-ordinates with Company's Registrar & Share Transfer Agents. During the financial year ended 31 March 2010, the committee met 17 times.

The Company confirms that there were no share transfers lying pending as on 31 March 2010, and all request for de-materialisation and re-materialisation of shares as on that date were confirmed / rejected into the NSDL / CDSL system.

Investors' Grievances Committee

The Board formed a Shareholders' Grievance Redressal Committee consisting of Mr. S. S. Choudhary, as the Chairman, Mr. S. K. Goenka and Mr. S. K. Saraf as its members. The Grievance Committee reviewed the status of Investors' Complaints periodically relating to transfer and transmission of shares, non-receipt of Dividend, among others. During the year the Committee met four times. The status of the complaints are given hereunder

There were 3 pending complaints at the beginning of the year and during 2009-10, total 79 complaints were received from investors, out of which 81 complaints were replied/ resolved to the satisfaction of the investors, and the balance 1 remained pending as on 31 March 2010.

Finance Committee of Director

The finance committee consists of Mr. S. S. Choudhary, Mr. B. L. Choudhary, Mr. V. K. Choudhary and Mr. D. P. Choudhary.

Terms of reference:

The broad terms of reference of Finance Committee include the following:

- Borrow moneys (otherwise than issue of debentures) from time to time for its' projects expansion and working capital;
- Execution of documents with banks and financial institutions;
- Opening banking accounts with banks;
- Providing securities to banks and financial institutions;
- Investing the funds of the company
- Making loans.

During the financial year 2009-10, the committee met nineteen times.

Share Issue and Allotment Committee

The Share Issue and Allotment Committee of Directors were re-constituted on 28 January 2010 with Mr. Shyam Sundar Choudhary, Mr. Bankey Lal Choudhary and Mr. Sushil Kumar Saraf as its members. The Committee was delegated with following powers:-

- Issue and allotment of securities;
- Issue of allotment advice to the allottees;
- Making necessary entries in Register of Members of the Company;
- Making necessary applications to stock exchanges for listing of shares;

- Making necessary applications to Depositories for credit of shares into DEMAT account of the allottees;
- Filing of Return of allotment to Registrar of Companies;
- Filing of Returns and documents with Reserve Bank of India;
- Any other matters which are incidental to the issue and allotment of securities.

The Committee met two times during the year on 18 June 2009 and on 1 February 2010 for the allotment of shares.

Limited Review Committee

The Limited Review Committee of Directors was consisted in terms of clause 41 of the listing agreement with Mr. S. S. Choudhary, Mr. B. L. Choudhary, and Mr. S. K. Goenka. During the year Mr. S. K. Saraf was admitted as member of the committee. The scope of function of the Committee was to review the Limited Review Report on Un-audited Financial Results to be submitted to the stock exchanges in terms of clause 41 of the Listing Agreement.

During the financial year 2009-10 the committee met three times i.e. on 10 August 2009, 28 November 2009 and 26 February 2010.

Name and Designation of Compliance Officer

Mr. B. L. Sharma, Company Secretary has been designated as Compliance Office in terms of clause 47 (a) of the Listing Agreement with stock exchanges. The shareholders can send their complaints directly to the Company Secretary, Himadri Chemicals & Industries Limited, 23A, Netaji Subhas Road, (8th Floor) Kolkata- 700 001 or can email at: investors@himadri.com. Those members desire to contact over telephone may do so at 91- 033- 2230 9953/ 4363.

4. General Body meetings

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

Financial year	Type	Date	Venue	Time
2006-07	19th AGM	26 September 2007	"Kala Kunj" Kala Mandir, 48 Shakespeare Sarani, Kolkata- 700 017	3.30 pm
2007-08	20th AGM	26 September 2008	"Kala Mandir, 48 Shakespeare Sarani, Kolkata- 700 017	2.00 pm
2008-09	21st AGM	17 September 2009	"Bharatiya Bhasha Parishad" 36-A, Shakespeare Sarani, Kolkata- 700 017	10.00 am

b) Details of Special Resolution (s) passed during the last three year in Annual General Meetings (AGM)

At 19th AGM held on 26 September 2007, the following Special Resolutions were passed:-

1. Appointment of Mr. Anurag Choudhary- a relative of the Director in terms of Section 314(1B) of the Companies Act, as Chief Executive Officer(CEO);
2. Appointment of Mr. Tushar Choudhary- a relative of the Director in terms of Section 314(1B) of the Companies Act, as President-Operations;
3. Appointment of Mr. Amit Choudhary- a relative of the Director in terms of Section 314(1B) of the Companies Act, as the President – Projects;
4. Alteration of Articles of Association in terms of Section 31 of the Companies Act,1 956;
5. Authorising the Board of Directors under Section 81(1A) of the Companies Act, 1956 to issue further shares and /or securities / FCCB up to the amount not exceeding USD 500 millions.

At 20th AGM held on 26 September 2008, the following special resolution was passed:-

1. Authorising the Board of Directors under Section 81(1A) of the Companies Act, 1956 to issue further shares and /or securities / FCCB up to the amount not exceeding USD 500 millions.

At 21st AGM held on 17 September 2009, the following special resolution was passed:-

1. Authorising the Board of Directors under Section 372A of the Companies Act, 1956 for making investment from time to time in shares and securities of other bodies corporate, Government Bonds, Mutual funds etc, up to the limit not exceeding an aggregate amount of Rs. 500 cores.

One Extra –Ordinary General Meeting was held during the year on 29 January 2010 at Kala Kunj Hall, 48 Shakespeare Sarani, Kolkata- 700 017 and the following Special Resolutions were passed:

Issue and allotment of 63,10,000 equity shares of Rs. 10/- each at price of Rs. 400/- per share to Bain Capital India Investments on preferential basis in term of Section 81(1A) of the Companies Act, 1956;
Increasing of Foreign Institutional Investors (FII) investment limit form 24% to 49%.
Amendment in Articles of Association of the company.

c) Postal Ballot

1. During the year 2009-10, the Company obtained the approval of its members, through postal ballot for issue of QIP by special resolution and increasing the Authorised Capital by way of Ordinary Resolution. The salient features of the Postal Ballot are given hereunder:
   - The Board of Director of the Company at its meeting held on Friday the 21 July 2009, appointed Mr. S. K. Ghosh, Company Secretary –in-Practice, of AB-198, Salt lake City, Kolkata- 700 064 as Scrutinizer for conducting the Postal Ballot voting process in a fair and transparent manner.
   - The notice along with Postal Ballot form and pre-paid self addressed envelopes were dispatched to the Members, whose names appeared on the Register of Members on 21 July 2009 and such dispatch was made under certificate of posting on 21 July 2009.
   - Notice of dispatch of Postal Ballot was published on 24 July 2009 in "Business Standard "(English) and "Danick Statesman" (Bengali) informing postal ballot, completion of postal ballot and other matters to the members of the company.
   - The last date of receipt of Postal Ballot form was 21 August 2009.
   - The Postal Ballot forms received were kept in boxes sealed by the Scrutinizer.
   - The Scrutinizer after verification of Postal ballot submitted his report to the Company's Chairman on 21 August 2009 and the results of the Postal Ballot process was declared by the Chairman on 22 August 2009 and same was also intimated to the Stock exchanges concerned.
   - A summary of the postal ballots form received is given hereunder:

Particulars	No. of Postal Ballots	No. of shares	% to the total paid up capital	Resolution No. 1		
				For	Against	Votes in favour as % of the valid votes
i) Total Postal ballot forms received	191	1,92,40,227	59.635%			
ii) Less: Invalid Postal Ballot	6	3,395	0.010%			
iii) Net valid Postal ballot forms	185	1,92,36,832	59.625%	1,92,36,665	167	99.99%
Particulars	**No. of Postal Ballots**	**No. of shares**	**% to the total paid up capital**	**Resolution No. 2**		
				For	Against	Votes in favour as % of the valid votes
i) Total Postal ballot forms received	191	1,92,40,227	59.635%			
ii) Less: Invalid Postal Ballot	6	3,395	0.010%			
iii) Net valid Postal ballot forms	185	1,92,36,832	59.625%	1,92,36,695	37	99.999%

Note: 1. none of the business is proposed to be passed through postal ballot at the ensuing annual general meeting
2. The Special Resolution referred to above through postal ballot was carried with requisite majority.

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5. Subsidiary Companies

The Company does not have a material non-listed Indian subsidiary, whose turnover or net-worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company in the immediately preceding financial year. The Company has a wholly owned subsidiary company in Hong Kong and a subsidiary namely Shandong Dawn Himadri Chemical Industry Co. Ltd. in China.

The accounts and Auditors' Report of the wholly-owned subsidiary companies was placed before and reviewed by the Board of Directors. The copies of minutes of the Board Meetings of the subsidiary companies were reviewed by the Board.

6. Disclosures

a. Related party transactions

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

Among the related party transactions are the contracts or arrangements, made by the Company from time to time, with Companies in which Directors are interested. The Audit Committee reviews periodically the significant related party transactions. All these contracts or arrangements are entered in the Register of the Contracts maintained under section 301 of the Companies Act, 1956 and the Register was placed before relevant Board Meetings. All transactions covered under the related party transactions are regularly ratified and / or approved by the Board. There were no material transactions during 2009-10 that were prejudicial to the Company's interest.

The Board has obtained certificates / disclosures from key management personnel confirming that they did not have any material, financial and commercial interest in transactions with the Company that may have a potential conflict with the Company's interest at large.

There are no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management and their subsidiaries or relatives that may have potential conflict with Company's interest at a large. Related party transactions are included in the Notes to the annual accounts of the Company for the year ended 31 March 2010.

b. Secretarial Audit

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

c. Statutory compliances, penalties & strictures

The Company complied with the requirements of the stock exchanges/ SEBI and statutory authorities on all matters related to capital markets. There were no instances of non-compliance on any matter relating to the capital market during the last three years. There were no penalties or strictures imposed on the Company by the stock exchanges, SEBI or any statutory authority in any matter related to capital markets.

d. Mandatory and non-mandatory requirements

The Company complied with the mandatory requirements and adoption of non-mandatory requirements under Clause 49 of the Listing Agreement which are reviewed by the management from time to time.

e. Proceeds from the preferential issue of shares

During the year the company has raised money through issue and allotment of 63,10,000 equity shares of Rs. 10/- each at price of Rs. 400/- per share (including a premium of Rs. 390/- per share) on preferential basis to Bain Capital India Investments, aggregating to Rs. 25,240.00 lacs.

The details of utilisation of proceeds raised through preferential allotment of shares made on 1 February 2010 were disclosed to the Audit Committee.

The object of the issue was to part finance its ongoing projects, capacity expansion and to meet increased working capital requirements. Out of the above proceeds, the Company has expended Rs. 5,040.00 lacs on the objects of the issue and Rs. 20,200.00 lacs representing temporary surplus funds were invested in Mutual Funds and Fixed deposits.

f. Outstanding Foreign Currency Convertible Bonds (FCCB)

During the year the company has issued 70 Foreign Currency Convertible Bonds (FCCB) of face value of USD 1,00,000 each aggregating to USD 7 million on preferential basis to International Finance Corporation (IFC). The FCCB (s) are optionally convertible into equity shares of Rs. 10/- each at price of Rs. 135/- per equity share (at the exchanges rate prevailing on the date of conversion) within a period of 7 years. Upon conversion of these FCCB(s), the issued, subscribed and paid-up capital of the company would be increased accordingly. Unless the conversion option is exercised, the outstanding FCCBs will be redeemed at par with interest at the rate 6 months LIBOR+3.35% p.a.

As on 31 March 2010 no conversion option was exercised by the bondholder in respect of any FCCB.

g. Shareholding of Non-executive director

As on 31 March 2010 Non-executive directors were holding the following shares in the company:-

Name of directors	No. of shares	%
1. D.P. Choudhary	148428	0.384 %
2. B.P. Dhanuka	1500	0.003%

None of other Directors of the company held any equity shares of the company.

7. Means of communication

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

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

8. General Shareholder Information

8.01 Annual General Meeting is proposed to be held at "Gyan Manch" 11, Pretoria Street, Kolkata-700 017

On Tuesday the 28 September 2010 at 2.30 pm.

8.02 The Company furnished information as required by Clause 49((VI) of the Listing Agreements, of the Stock exchanges, relating to the Directors retiring by rotation and seeking reappointment. Shareholders may kindly refer to the Notice and explanatory statement convening the Company's 22nd Annual General Meeting. The names of the companies in which the persons also hold directorship and membership of committees of the Board are given separately.

8.03 Date of Book Closures

The Share Transfer and Register of Members of the Company will remain closed from 22 September 2010 to 28 September 2010 (both days inclusive).

8.04 Financial Calendar for 2010-11 (tentative schedule)

Financial Year	2010-11
Board meetings for approval of quarterly results	
- Quarter ended 30 June 2010	Within 2nd week of August, 2010
- Quarter ended 30 September 2010	Within 2nd week of November, 2010
- Quarter ended 31 December 2010	Within 2nd week of February, 2011
- Annual Result for the year ended 31.03.2011 (Audited)	Within (two months) by May 2011
Annual General Meeting for 2010-11	In accordance with Section 166 of the Companies Act, 1956
Posting of Annual Report	At least 26 days before the meeting
Posting of Dividend warrants	Within 30 days from the date of AGM
Receipt of proxy forms	At least 48 hrs before the meeting

8.05 Listing of shares on stock exchanges

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

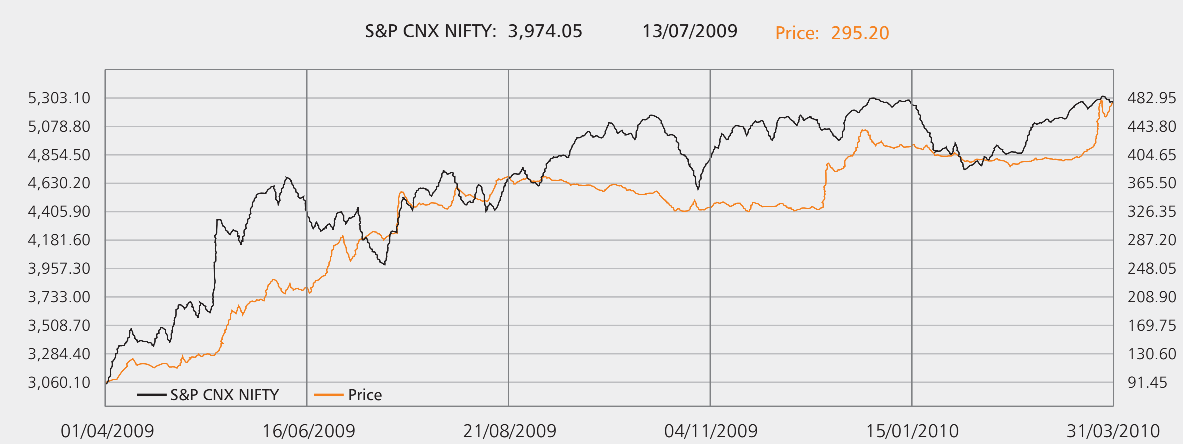
Sl. No.	Stock exchange	Listing code
1.	The Calcutta Stock Exchanges Ltd., 7, Lyons Range, Kolkata- 700 001	18036
2	Bombay Stock Exchange Limited, P. J. Towers, Dalal Street, Fort Mumbai- 400 001	500184
3.	National Stock Exchange of India Ltd., "Exchange Plaza" Bandra-Kurla Complex, Bandra (E) Mumbai-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

8.06 Market price data

Monthly high / low market price of the shares during the year 2009-10 at the Bombay Stock Exchange Ltd and at National Stock Exchange of India Ltd were as under:-

Months	Market Price (BSE) Amount in Rs.		Market Price (NSE) Amount in Rs.	
	High	Low	High	Low
April 2009	132.00	90.00	122.90	91.60
May 2009	207.90	113.00	200.65	113.95
June 2009	300.00	197.00	290.15	201.50
July 2009	376.00	249.00	350.25	255.95
August 2009	403.90	325.00	372.35	327.50
September 2009	380.00	346.00	372.60	350.50
October 2009	364.95	317.20	360.70	324.50
November 2009	351.00	268.80	337.45	324.20
December 2009	457.95	325.00	437.30	326.45
January 2010	453.95	397.00	433.25	400.05
February 2010	410.00	380.50	403.40	387.25
March 2010	503.00	392.15	482.80	393.05

Historical Stock Chart



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8.07 Registrar and Share Transfer Agents

The Company engaged the services of S.K. Computers of 34/1A, Sudhir Chatterjee Street, Kolkata- 700 006, a SEBI registered Registrar as its' Share Transfer Agents for processing the transfer, sub-divisions, consolidation, splitting of securities among others. Since the shares are compulsorily required to be traded in dematerialised form, shareholders are requested to get their physical shareholdings converted into DEMAT form through their depository. All the queries related with shares may be forwarded directly to the Company's Registrar. The Company has made necessary arrangements with Depositories NSDL/CDSL for Dematerialisation of shares. M/s S.K. Computers, was appointed as common agency to act as transfer agents for both physical and demat shares.

8.08 Share Transfer System

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

Pursuant to clause 47(c) of the Listing Agreement with the stock exchanges, certificate on half-yearly basis is filed with the stock exchanges for due compliance of share transfer formalities by the Company. In terms of guidelines issued by SEBI, the Secretarial Audit Report for all the quarters was filed with the stock exchanges, which inter-alia gives details about the reconciliation of share capital (both demat and physical).

8.09 Nomination facilities

The Companies (Amendment) Act, 1999 introduced through the new Section 109A, the facility of nomination to shares and debentures. This facility is mainly useful in case of those holders who hold their shares in single name. Investors are advised to avail of this facility, especially those holding shares in single name to avoid any complication in the process of transmission, in case of death of the holders.

In case the shares are held in physical mode, the nomination form may be obtained from the Registrar & Share Transfer Agents. In case of shares held in Demat form, such nomination is to be conveyed to the D/P as per the formats prescribed by them.

8.10 Distribution of Shareholding as on 31 March 2010

No. of shares	No. of Shareholders	% of total number of shareholders	Number of shares held	% of the total number of shares
Up to 500	13911	94.57	17,61,921	4.57
501 - 1000	410	2.80	3,22,175	0.84
1001 - 2000	190	1.29	2,81,839	0.73
2001 - 3000	58	0.39	1,45,253	0.37
3001 - 4000	28	0.19	1,02,717	0.27
4001 - 5000	22	0.15	1,01,837	0.26
5001 - 10000	27	0.18	1,91,271	0.50
10001 - 50000	32	0.22	5,22,509	1.35
50001 - 100000	10	0.07	7,17,503	1.86
100000 and above	19	0.14	3,44,26,232	89.25
Total	14,707	100.00	3,85,73,257	100.00

8.11 Shareholding pattern as on 31 March 2010

Category of shareholders	Number of shareholders	Number of shares	% of holding
(A) Promoter Group			
(a) Directors & relatives	8	12,72,860	3.30
(b) Bodies corporate	7	1,59,41,131	41.33
Sub- total (A)	15	1,72,13,991	44.63
(B) Non-promoters			
(a) Mutual funds / UTI	7	4,02,747	1.04
(b) Financial institutions / banks	5	3,600	0.01
(c) Foreign institutional investors	1	2,176	0.01
(d) Foreign company	2	1,50,57,007	39.03
(e) Bodies corporate	391	20,73,575	5.37
(f) Individuals	14,232	38,05,714	9.87
(g) NRI(s)	54	14,447	0.04
Sub Total (B)	14,692	2,13,59,266	55.37
Total (A) + (B)	14,707	3,85,73,257	100.00

8.12 Dematerialisation of shares

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

NSDL - INE 019C01018
CDSL - INE 019C01018

As on 31 March 2010, out of the 3,85,73,257 equity shares of the Company 3,74,79,104 shares were held in Electronic form representing 97.16% to the total paid up capital, whereas balance of 10,94,153 shares were held in physical form representing 2.84% to the total paid up share capital of the Company.

8.13 Plant Locations

Serial Number	Location of Plant
1	Unit No. 1 at Liluah (Howrah) 58, N.S. Road, Liluah Howrah - 711 204 (W. B.)
2	Unit No. 2 at Liluah (Howarh) 27-B, Gadadhar Bhatt Road, Liluah Howrah - 711 204 (W.B.)
3	Mahistikry, P.S.- Haripal, District - Hooghly (W.B.)
4	Plot No. 67, 68 & 69, Ancillary Industrial Estate, Vill: Pedagantyada, PIN- 530 013 (A. P.)
5	Vill- JHAGRAH, Rajgamar Colliery Korba- 495683 (Chhattishgarh)
6	Wind Mills Division: 1. Vill- Amkhel: Taluka- Sakri, District- Dhule, Maharashtra 2. Vill- Titane, Taluka- Sakri, District- Dhule, Maharashtra
7	Vapi Unit, G.I.D.C., Phase I, Vapi, Gujarat

8.14 Address for correspondence

All communication may be sent to Mr. B. L. Sharma, Company Secretary and Compliance Officer at the following address:
Himadri Chemicals & Industries Limited,
23A, Netaji Subhas Road, 8th floor,
Kolkata- 700 001.
Phone number: (033) 2230 9953/ 2230 4363
Fax No 91-33-2230-9051,
e-mail: investors@himadri.com.

All shares related queries may be sent to the Company's Registrar and Share Transfer Agents M/s S. K. Computers, 34/1A, Sudhir Chatterjee Street, Kolkata- 700 006.

8.15 Dividend remittance

Dividend on equity shares as recommended by the Board for the year ended 31 March 2010, when declared at the meeting will be paid:

i. to those members whose names appear on the Register of Members of the Company, after giving effect to all valid share transfers in physical form lodged with the company on or before 22 September 2010, and

ii. in respect of shares held in electronic form, to members whose names appear in the statements of beneficial ownership (BENPOSE) furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for the purpose as on the close of business hours on 21 September 2010.

Members may please note that the dividend warrants shall be payable at par at the designated branches of the bank for an initial period of three months and thereafter the dividend warrants will require re-validation. The members are therefore advised to encash dividend warrants within the initial validity period of three months.

8.16 Electronic Clearing Service – ECS

Members desirous of receiving dividend by direct electronic deposit of dividend (ECS) in their account may authorise the Company with their mandate. Members are requested to provide necessary details of their bank account to company's Registrar and Share Transfer Agents M/s SK Computers, 34/1A, Sudhir Chatterjee Street, Kolkata- 700 006.

8.17 Bank details in case of physical shareholdings

With a view to provide protection against fraudulent encashment of dividend warrants, members are requested to provide, if not provided earlier, their bank account number, bank account type, names and address of bank branches, with their folio number to company's Registrar and Share Transfer Agents M/s SK Computers, 34/1A, Sudhir Chatterjee Street, Kolkata- 700 006 to enable them to print the same on dividend warrants. This is a mandatory requirement in terms of SEBI circular no. D&CC/ FITTC / CIR-04/ 2001 dated 13 November 2001.

8.18 Unclaimed / Unpaid Dividend

The amounts of unclaimed dividend are laying credit in separate bank accounts. Members may please note that pursuant to Section 205-C of the Companies Act, 1956 the amount lying in credit of any unpaid dividend account if remained un-claimed for 7 years from the date they became due for payment shall be transferred to the Investor Education and Protection Fund. As on 31 March 2010 the following amounts are unclaimed and lying credit in separate bank accounts with various banks.

Financial Year	Date of declaration	Amount Unpaid/ unclaimed as on 31.3.2010	Due date for transfer to Investor Education and Protection Fund
2004-05	14 September 2005	5,30,772.00	20 September 2012
2005-06	18 September 2006	8,40,574.00	24 September 2013
2006-07	26 September 2007	27,90,905.00	2 October 2014
2007-08	26 September 2008	11,96,778.00	2 October 2015
2008-09	17 September 2009	6,36,951.00	23 September 2016

Therefore, members who have so far not encashed their dividend warrants or have not received the dividend warrants may write to the company or its' Share Transfer Agents for issue of duplicate dividend warrants.

For and on behalf of the Board

Sd/- Sd/-
B.L. Choudhary **S.S. Choudhary**
Managing Director *Executive Director*

Place: Kolkata
Date: 28 May 2010

Auditor's Certificate on Corporate Governance

To
The Members of
Himadri Chemicals & Industries Ltd

We have examined the compliance of Corporate Governance by **Himadri Chemicals & Industries Limited** for the year ended 31 March 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to review of the 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 the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For **S. Jaykishan**
Chartered Accountants,
FRN: 309005E

Sd/-
CA B.K. Newatia
Partner
M. No. 050251

Place: Kolkata
Dated: 28 May 2010

Declaration by the Managing Director

To
The Members of
Himadri Chemicals & Industries Ltd

Sub: Declaration under clause 49 of the Listing Agreement

I hereby declare that all Directors and the designated personnel in the Senior Management of the Company have affirmed compliance with the Codes of Conduct as applicable to them for the financial year ended 31 March 2010.

Sd/-
B.L. Choudhary
Managing Director

Place: Kolkata
Dated: 28 May 2010

CEO/ CFO Certification

To
The Board of Directors
Himadri Chemicals & Industries Limited
23A, Netaji Subhas Road,
Kolkata- 700 001

Re: CEO/ CFO certification in terms of Clause 49 (v) of the Listing Agreement

We, 1) Bankey Lal Choudhary, the Managing Director and 2) Mr. Jatin Kapoor, the Chief Financial Officer (CFO) of the company, certify that:

(a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief :

i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

ii) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the auditors and the Audit Committee:

i) Significant changes in internal control over financial reporting during the year;

ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Sd/-
B.L. Choudhary
Managing Director

Sd/-
Jatin Kapoor
CFO

Place: Kolkata
Date: 28 May 2010

AUDITORS' REPORT

To
The Members of **Himadri Chemicals & Industries Limited**

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

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

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :

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

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

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

   d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   e) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

   f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the accounting policies & notes thereon and attached thereto, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      i. in case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010,

      ii. in case of the Profit & Loss Account, of the profit of the Company for the year ended on that date, and

      iii. in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **S. Jaykishan**
Chartered Accountants,
Firm Registration No. 309005E

Sd/-
CA. B. K. Newatia
Partner
M. No. 050251

Place: Kolkata
Dated: 28 May 2010

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 3 of our Report of even date to the members of Himadri Chemicals and Industries Limited on the financial statements for the year ended 31 March 2010)

i) a) The Company is in the process of compiling fixed assets records to show full particulars, including quantitative details and situation of fixed assets.

b) We are informed that the management at reasonable intervals, in a phased programme, has physically verified fixed assets of significant value and no material discrepancies were noticed in respect of the assets verified.

c) The Company has not made any disposal of fixed assets during the year.

ii) a) As explained to us, inventories have been physically verified by the management during the year at reasonable intervals.

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

c) On the basis of our examination of the inventory records of the Company, we are of the opinion that the Company is maintaining proper records of its inventory and no material discrepancies were noticed on physical verification of inventories, as compared to book records.

iii) a) The Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act,1956. Accordingly, the clauses (iii) (b) to (iii) (d) of the Order are not applicable.

b) The Company has not taken any loan during the year from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year and the year-end balance in respect of such loan taken from a company in earlier year was Rs. 1,050 lacs & Rs. 900 lacs respectively. The Company has also issued Deep Discount Debentures of Face value of Rs. 123 crores in the earlier years to a company covered in the register maintained under Section 301 of the Act, and the balance as on 31 March 2010 net of discount, to be written off over the period of Debentures was Rs. 3280.20 lacs.

c) In our opinion, the rate of interest and other terms and conditions of the aforesaid loans taken by the Company are prima facie not prejudicial to the interest of the Company.

d) In respect of the aforesaid loan, the Company was regular in repaying the principal amount and was also regular in payment of interest as stipulated.

iv) In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

v) a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of the contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956, have been so entered.

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

vi) The Company has not accepted any deposit during the year from the public within the meaning of the provisions of Sections 58A and 58AA of the Companies Act, 1956, and the rules framed there under.

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

viii) We have broadly reviewed the books of accounts maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however made a detailed examination of the records with a view to determine whether they are accurate or complete.

ANNEXURE TO THE AUDITORS' REPORT

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

ix) a) According to the records of the Company examined by us, the Company is 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, Cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts were in arrears, as at 31 March 2010, for a period of more than six months from the date they became payable.

b) According to the records of the company and the information and explanations given to us & upon our enquiries in this regard, disputed dues in respect of Sales Tax, Service Tax, Customs Duty, Excise Duty and Cess unpaid as at the last day of the financial year, are as follows:

Nature of Dues	Amount (Rs in lacs)	Forum where dispute is pending
Sales Tax	257.91	Senior Jt Commissioner (Special Cell)
Custom Duty	28.83	CESTAT, Kolkata
Service Tax	54.23	Commissioner (Appeal), Kolkata
Excise duty	10.23	Commissioner (Appeal), Kolkata

x) The Company has neither accumulated losses at the end of the financial year nor has it incurred cash losses in the financial year under report or in the immediately preceding financial year.

xi) According to the records of the company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

xii) As explained to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii) The provisions of any special statue applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.

xiv) In respect of shares, securities, debentures and mutual fund units dealt or traded by the Company and held as investments, proper records have been maintained of the transactions and contracts and timely entries have been made therein. All the investments have been held by the Company in its own name.

xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

xvi) On the basis of the records examined by us, in our opinion, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

xvii) Based on the information and explanations given to us and on an overall examination of the financial statements of the Company, prima facie, short term funds have not been used for long term purposes.

xviii) To the best of our knowledge and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act,1956.

xix) The Company has not issued any secured debentures and accordingly the question of creation of security or charge there against does not arise.

xx) The Company has not raised any money by way of public issue during the year.

xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **S. Jaykishan**
Chartered Accountants,
Firm Registration No. 309005E

Sd/-
CA. B. K. Newatia
Partner
M. No. 050251

Place: Kolkata
Dated: 28 May 2010

BALANCE SHEET As at 31 March 2010

(Rs. in Lacs)

	Schedule	As at 31.03.2010	As at 31.03.2009
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	3,857.33	3,185.13
b) Deposit against Share Warrants [Refer Note No. 13 of Schedule - 20]		–	2,588.46
c) Reserves & Surplus	2	69,783.24	32,615.35
2. Loan Funds			
a) Secured Loans	3	34,714.88	31,272.60
b) Unsecured Loans	4	6,710.00	3,193.97
3. Deferred Tax Liability [Refer Note No. 25 of Schedule - 20]		6,369.36	2,613.44
TOTAL		121,434.81	75,468.95
II. APPLICATION OF FUNDS			
1. Fixed Assets	5		
a) Gross Block		66,202.05	32,617.84
b) Less : Depreciation		8,661.79	6,181.49
c) Net Block		57,540.26	26,436.35
d) Capital Work in Progress [Refer Note No. 6 of Schedule - 20]		4,420.40	25,618.22
2. Investments	6	20,120.48	199.96
3. Current Assets, Loans & Advances			
a) Inventories	7	15,859.50	9,555.08
b) Sundry Debtors	8	13,484.57	7,484.79
c) Cash & Bank Balances	9	3,163.64	959.61
d) Loans & Advances	10	14,069.41	11,183.70
		46,577.12	29,183.18
Less : Current Liabilities & Provisions			
a) Current Liabilities	11	4,285.65	4,987.85
b) Provisions	12	2,937.80	1,110.62
		7,223.45	6,098.47
Net Current Assets		39,353.67	23,084.71
4. Miscellaneous Expenditure (To the extent not written off/or adjusted)	13	–	129.71
TOTAL		121,434.81	75,468.95
Significant Accounting Policies & Notes On Accounts	20		

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

As per our report of even date
For S. Jaykishan
Chartered Accountants
Firm Registration No. 309005E

on behalf of the Board of Directors

Sd/-
CA. B. K. Newatia
Partner
Membership No.: 050251
Place: Kolkata
Dated : 28 May 2010

Sd/-
B. L. Sharma
Company Secretary

Sd/-
Jatin Kapoor
Chief Financial Officer

Sd/-
B. L. Choudhary
Managing Director

Sd/-
S. S. Choudhary
Director

HIMADRI CHEMICALS & INDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2010

(Rs. in Lacs)

	Schedule	Year ended 31.03.2010	Year ended 31.03.2009
INCOME			
Sales	14	56,214.31	43,538.54
Less : Taxes & Duties		5,621.08	5,990.21
Net Sales		50,593.23	37,548.33
Other Income	15	1,523.53	394.32
TOTAL		52,116.76	37,942.65
EXPENDITURE			
Decrease/(Increase) in Stocks	16	(5,390.38)	(781.27)
Raw Materials Consumed	17	27,872.41	20,336.61
Manufacturing & Other Expenses	18	9,841.15	5,535.18
Interest & Other Financial Charges	19	2,788.10	1,902.29
Depreciation		2,480.30	1,572.28
TOTAL		37,591.58	28,565.09
PROFIT BEFORE TAX & EXCEPTIONAL ITEM		14,525.18	9,377.56
Less: Exceptional Item		–	3,060.21
PROFIT BEFORE TAX		14,525.18	6,317.35
Provision for Taxation :			
Current Tax		2,488.00	710.00
Fringe Benefit Tax		–	22.00
Deferred Tax		3,755.92	984.49
MAT credit entitlement		(2,452.72)	(76.79)
PROFIT AFTER TAX		10,733.98	4,677.65
Surplus from earlier year		12,032.92	8,740.69
AMOUNT AVAILABLE FOR APPROPRIATION		22,766.90	13,418.34
APPROPRIATION			
Transfer to General Reserve		1,500.00	1,000.00
Dividend for earlier year		–	6.80
Proposed Dividend		385.73	322.63
Corporate Dividend Tax		64.07	55.99
BALANCE CARRIED TO BALANCE SHEET		20,817.10	12,032.92
Earnings Per Share(Rs.) : [Refer Note No. 24 of Schedule - 20]			
(Face Value Rs.10 each)			
Basic		32.34	14.70
Diluted		30.98	13.51
Significant Accounting Policies & Notes On Accounts	20		

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

As per our report of even date
For S. Jaykishan
Chartered Accountants
Firm Registration No. 309005E

on behalf of the Board of Directors

Sd/-
CA. B. K. Newatia
Partner
Membership No.: 050251
Place: Kolkata
Dated : 28 May 2010

Sd/-
B. L. Sharma
Company Secretary

Sd/-
Jatin Kapoor
Chief Financial Officer

Sd/-
B. L. Choudhary
Managing Director

Sd/-
S. S. Choudhary
Director

CASH FLOW STATEMENT For the year ended 31 March 2010

(Rs. in Lacs)

	Year ended 31.03.2010		Year ended 31.03.2009	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax & Extra-Ordinary Items		14,525.18		6,317.35
Adjustments for:				
Depreciation	2,480.30		1,572.28	
Miscellaneous Expenditure Written Off	–		61.85	
Interest Paid	2,194.21		1,325.66	
Interest Received	(86.06)		(95.77)	
Dividend Received	(90.47)		(35.70)	
Loss on redemption of Mutual Funds	–		2.23	
Proportionate Discount on Debentures W/Off	356.24		317.55	
Provision for Gratuity	–		(3.56)	
		4,854.22		3,144.54
Operating Profit before Working Capital Changes		19,379.40		9,461.89
Adjustments for :				
(Increase)/Decrease in Trade & Other Receivables	(4,878.52)		(2,958.78)	
(Increase)/Decrease in Inventories	(6,304.42)		3,269.93	
Increase/(Decrease) in Trade & Other Payables	1,705.86		62.40	
		(9,477.08)		373.55
Cash generated from operations		9,902.32		9,835.44
Direct Tax Paid		(2,325.72)		(1,098.92)
Net Cash from Operating Activities		7,576.60		8,736.52
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(14,421.55)		(21,114.43)	
(including Capital Work-in-Progress)				
Interest Income	86.06		95.77	
Dividend Income	90.47		35.70	
Capital investment subsidy received	–		150.00	
Sale of investments	6,718.37		5,007.34	
Purchase of Investments	(26,638.89)		(5,003.57)	
(including investment in Subsidiary - Rs.48.68 lacs (P.Y.- Rs.Nil)				
Net Cash used in Investing Activities		(34,165.54)		(20,829.19)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of Shares	25,417.16		701.25	
Proceeds from issue of FCCBs	3,159.80		–	
Increase/(Decrease) in Long Term Borrowings	3,314.32		10,324.88	
Increase/(Decrease) in Working Capital Borrowings	127.96		2,481.45	
Share Issue Expenses	(694.70)		(5.00)	
Interest Paid	(2,158.36)		(1,325.66)	
Dividend Paid	(322.63)		(637.04)	
Dividend Tax Paid	(55.99)		(107.11)	
Net Cash from Financing Activities		28,787.56		11,432.77
Net Increase/(Decrease) in Cash/Cash Equivalents		2,198.62		(659.90)
Cash & Cash Equivalents at the beginning of the year (Refer Schedule 9 to the Accounts)		905.06		1,564.96
Cash & Cash Equivalents at the end of the year (Refer Schedule 9 to the Accounts)		3,103.68		905.06

Notes:
1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard- 3 on 'Cash Flow Statement' notified by the Companies (Accounting Standards) Rules, 2006.
2. Cash and Cash equivalents include cash and cheques in hand and bank balances on current and fixed deposit accounts [Refer Schedule 9].
3. Figures in brackets indicate cash outflows.

As per our report of even date
For **S. Jaykishan**
Chartered Accountants
Firm Registration No. 309005E

on behalf of the Board of Directors

Sd/-
CA. B. K. Newatia
Partner
Membership No.: 050251
Place: Kolkata
Dated : 28 May 2010

Sd/-
B. L. Sharma
Company Secretary

Sd/-
Jatin Kapoor
Chief Financial Officer

Sd/-
B. L. Choudhary
Managing Director

Sd/-
S. S. Choudhary
Director

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Lacs)

	As at 31.03.2010		As at 31.03.2009	
Schedule 1 SHARE CAPITAL				
Authorised				
7,00,00,000 Equity Shares of Rs.10/- each				
(Previous year 5,00,00,000 Equity Shares)		7,000.00		5,000.00
Issued, subscribed and paid-up				
3,85,73,257 Equity Shares of Rs.10/- each fully paid up				
(Previous year 3,18,51,257 Equity Shares)				
(Out of which, 1,55,42,857 Equity Shares				
issued for consideration otherwise than in cash)		3,857.33		3,185.13
		3,857.33		3,185.13

	As at 31.03.2010		As at 31.03.2009	
Schedule 2 RESERVES AND SURPLUS				
Capital Reserve				
Sales Tax Capital Subsidy		14.86		14.86
Capital Investment Subsidy				
As per last account	193.84		43.84	
Add : Received during the year	–		150.00	
		193.84		193.84
Amalgamation Reserve		61.30		61.30
Forfeiture of Share Warrants [Refer Note No. 13 of Schedule – 20]		1,010.50		–
Securities Premium				
As per Last Account	14,149.67		13,404.22	
Received during the year	26,322.92		745.45	
Share Issue Expenses Written Off [Refer Note No. 7 of Schedule – 20]	(824.41)		–	
		39,648.18		14,149.67
General Reserve				
As per Last Account	7,017.44		6,017.44	
Add : Transferred from Profit & Loss A/C	1,500.00		1,000.00	
		8,517.44		7,017.44
Foreign Exchange Translation Reserve		(39.47)		–
Hedging Reserve [Refer Note No. 30 of Schedule – 20]				
As per Last Account	(854.68)		–	
Movement during the year	414.17		(854.68)	
		(440.51)		(854.68)
Surplus as per Profit & Loss A/c annexed		20,817.10		12,032.92
		69,783.24		32,615.35

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
Schedule 3 SECURED LOANS		
[Refer Note No.1 of Schedule 20 for securities]		
Term Loans		
Rupee Loans		
– From Banks	10,048.00	14,255.44
– From Non Banking Finance Company	900.00	1,050.00
External Commercial Borrowings (ECB)		
– From a Bank	4,514.00	–
– From International Finance Corporation (IFC)	3,159.80	–
{Repayable within one year Rs 4958.72 lacs (previous year Rs 4373.60 lacs)}		
Working Capital Loans from Banks		
Rupee Loans	9,074.34	7,224.04
FCNR(B) Loan	2,257.00	–
Packing Credit	–	4,246.55
Buyers' Credit	4,761.74	4,494.53
Loan against Equipments & Vehicles	–	2.04
	34,714.88	31,272.60

Schedule 4 UNSECURED LOANS		
Long Term		
Deep Discount Debentures		
Issued during financial year 2001–2002 aggregating Rs. 123 Crores at discounted price of Rs. 12.30 Crores redeemable at par at the end of 20 years from the date of allotment i.e. 24 September 2001	12,300.00	12,300.00
Less : Discount on issue of debentures to the extent not written off or adjusted	9,019.80	9,376.03
	3,280.20	2,923.97
70 Foreign Currency Convertible Bonds of USD 100000 each issued to International Finance Corporation (IFC) [Refer Note No.14 of Schedule 20]	3,159.80	–
Sales Tax Deferment	270.00	270.00
	6,710.00	3,193.97

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule 5 FIXED ASSETS

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2009	Addition during the year	Deletion during the year	Total Upto 31.03.2010	As on 01.04.2009	Provided during the year	Adjusted during the the year	Total Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
Land	1,245.56	1,019.98	–	2,265.54	–	–	–	–	2,265.54	1,245.56
Factory Shed & Building	2,782.62	1,795.40	–	4,578.02	501.01	131.48	–	632.49	3,945.53	2,281.61
Plant & Machinery	26,833.01	27,977.99	–	54,811.00	4,961.69	2,129.19	–	7,090.88	47,720.12	21,871.32
Laboratory Equipments	205.30	193.65	–	398.95	78.78	13.70	–	92.48	306.47	126.52
Office Equipments	79.83	37.95	–	117.78	35.26	4.98	–	40.24	77.54	44.57
Furniture & Fixtures	175.54	103.83	–	279.37	78.35	12.70	–	91.05	188.32	97.19
Fire Extinguishers	27.06	46.25	–	73.31	5.81	2.50	–	8.31	65.00	21.25
Vehicles	291.69	67.75	–	359.44	145.98	23.88	–	169.86	189.58	145.71
Tubewell	10.62	–	–	10.62	1.87	0.50	–	2.37	8.25	8.75
Electrical Installations	596.70	1,798.15	–	2,394.85	88.05	79.32	–	167.37	2,227.48	508.65
Cycles	0.81	0.12	–	0.93	0.30	0.05	–	0.35	0.58	0.51
Computers	224.02	543.14	–	767.16	155.44	75.55	–	230.99	536.17	68.58
Tankers	145.08	–	–	145.08	128.95	6.45	–	135.40	9.68	16.13
Total	32,617.84	33,584.21	–	66,202.05	6,181.49	2,480.30	–	8,661.79	57,540.26	26,436.35
Previous Year Total	29,897.21	2,720.63	–	32,617.84	4,609.21	1,572.28	–	6,181.49	26,436.35	

Note:

Original Cost as at 31 March 2010 of Vehicles includes Rs. 119.31 lacs (Previous Year- Rs. 107.72 lacs) acquired under Auto Finance Scheme from Banks, of which Rs. 56.08 lacs (Previous Year- Rs. 53.26 lacs) was outstanding as at 31 March 2010.

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Lacs)

	Face Value (Rs.)	As at 31.03.2010 No. of Shares	As at 31.03.2010 Amount	As at 31.03.2009 No. of Shares	As at 31.03.2009 Amount
Schedule 6 INVESTMENTS					
LONG TERM					
In Government Securities					
(Deposited with Government Authorities)					
Kishan Vikas Patra			0.07		0.07
In Shares of Joint Stock Companies					
Trade Investments (Unquoted, Fully Paid Up)					
In Wholly Owned Subsidiary					
Himadri Global Investments Ltd., Hong Kong	1 HK$	783,680	49.25	10,000	0.57
Other Than Trade					
Quoted, Fully Paid Up					
ACC Ltd.	10	1,275	1.95	1,275	1.95
Himadri Credit & Finance Ltd.	10	334,900	33.49	334,900	33.49
Transchem Ltd.	10	8,000	2.40	8,000	2.40
NDTV Ltd.	4	1,400	0.98	1,400	0.98
Unquoted, Fully Paid Up					
Himadri Dyes & Intermediates Ltd.	10	720,000	72.00	720,000	72.00
Himadri Industries Ltd.	10	493,300	84.50	493,300	84.50
Himadri e-Carbon Ltd.	10	40,000	4.00	40,000	4.00
CURRENT INVESTMENTS					
Unquoted, Other than Trade					
In Mutual Funds					
LIC MF Floating Rate Fund		99367885.922	9,936.79		–
LIC MF Savings Plus Fund		49350533.957	4,935.05		–
Templeton India Short Term Income Plan		270426.65	5,000.00		–
TOTAL			20,120.48		199.96
Aggregate Book Value of Unquoted Investments			20,081.66		161.14
Aggregate Book Value of Quoted Investments			38.82		38.82
Aggregate Market Value of Quoted Investments			48.39		42.52

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
Schedule 7 INVENTORIES		
(as taken, valued & certified by the management)		
Finished Goods*	9,147.67	4,009.37
Work-in-Progress	279.73	–
Raw Materials	6,165.51	5,499.49
Materials In Transit	194.65	25.41
Packing Materials	71.58	20.81
Furnace Oil	0.36	–
	15,859.50	9,555.08

* Includes stock of Rs. Nil (Previous Year - Rs.65.13 Lacs) of Trial run Production

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
Schedule 8 SUNDRY DEBTORS		
(Unsecured, Considered Good)		
Debts outstanding for a period exceeding six months	1,021.51	811.83
Other Debts	12,463.06	6,672.96
	13,484.57	7,484.79
Schedule 9 CASH & BANK BALANCES		
Cash in Hand (As certified by Management)	139.13	58.61
Cheques in Hand	359.38	9.66
Balances with Scheduled Banks		
In Current Accounts	199.24	37.50
In EEFC Accounts	954.42	14.11
In Fixed Deposit Accounts [Refer Note Nos. 5 & 9 of Schedule - 20]	1,451.51	785.18
In Unclaimed Dividend Accounts	59.96	54.55
	3,163.64	959.61
Schedule 10 LOANS & ADVANCES		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received		
To Subsidiary	1,119.12	3.25
To Others	5,144.42	6,632.40
Incentive Receivable	300.00	300.00
Balance with Central Excise & Cenvat Receivable	1,658.94	2,474.08
Sales Tax Deposit & VAT Receivable	360.81	456.30
Income Tax Payments	2,309.05	807.90
Income Tax Refundable	125.20	32.63
Deferred MAT Credit Entitlement [Refer Note No. 21 of Schedule - 20]	2,529.52	76.80
Earnest Money & Security Deposits	522.35	400.34
	14,069.41	11,183.70
Schedule 11 CURRENT LIABILITIES		
SUNDRY CREDITORS		
Due to Micro, Small & Medium Enterprises	–	–
Due to Others:		
For Capital Goods	374.60	2,409.75
Others	1,603.59	927.97
Unclaimed Dividend*	59.96	54.55
Derivative Contracts Payable [Refer Note No. 30 of Schedule - 20]	440.51	854.68
Other Liabilities	1,792.75	661.53
Advances from customers	14.24	79.37
	4,285.65	4,987.85

* There is no amount due and outstanding to be credited to Investor Education & Protection Fund.

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Lacs)

	As at 31.03.2010		As at 31.03.2009	
Schedule 12 PROVISIONS				
Provision for Taxation		2,488.00		732.00
Proposed Dividend		385.73		322.63
Corporate Dividend Tax		64.07		55.99
		2,937.80		1,110.62
Schedule 13 MISCELLANEOUS EXPENDITURE				
(To the extent not written off/or adjusted)				
Share Issue Expenses				
As per last account		129.71		186.56
Add: During the year		694.70		5.00
		824.41		191.56
Less: Amount Written Off during the year		824.41		61.85
[Refer Note No. 7 of Schedule - 20]				
		–		129.71

(Rs. in Lacs)

	Year ended 31.03.2010		Year ended 31.03.2009	
Schedule 14 SALES				
Sales:				
Domestic		46,298.97		35,732.84
Export		9,915.34		7,805.70
		56,214.31		43,538.54
Schedule 15 OTHER INCOME				
Interest on Fixed Deposits with Bank		86.06		95.77
(TDS- Rs. 8.95 Lacs ; P.Y. Rs. 20.76 Lacs)				
Dividend				
– on Long Term Investments (other than trade)		0.26		0.26
– on Current Investments (other than trade)		90.21		35.44
Foreign Exchange Gain		1,289.87		–
Warranty & other Claims		0.18		–
Consultancy Income (TDS- Rs. Nil ; P.Y. Rs. 22.41 Lacs)		–		252.08
Miscellaneous Income		56.95		10.77
		1,523.53		394.32

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Lacs)

	Year ended 31.03.2010		Year ended 31.03.2009	
Schedule 16 DECREASE/(INCREASE) IN STOCKS				
Opening Stock				
Finished Goods		3,944.24		6,223.18
Add : Stock out of trial run production		92.78		–
		4,037.02		6,223.18
Less : Closing Stock				
Finished Goods		9,147.67		3,944.24
Work–in–Progress		279.73		–
		9,427.40		3,944.24
		(5,390.38)		2,278.94
Less : Write Down of Inventory to NRV considered as exceptional item		–		3,060.21
Decrease/(Increase) in Stocks		(5,390.38)		(781.27)
Schedule 17 RAW MATERIALS CONSUMED				
Opening Stock		5,499.49		6,283.80
Add: Purchases		28,538.43		19,552.30
		34,037.92		25,836.10
Less: Closing Stock		6,165.51		5,499.49
		27,872.41		20,336.61

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Lacs)

	Year ended 31.03.2010	Year ended 31.03.2009
Schedule 18 MANUFACTURING & OTHER EXPENSES		
Consumable Stores & Spares	220.64	68.12
Power & Fuel	2,126.78	943.07
Employees' Emoluments [Refer Note No. 17 of Schedule - 20]		
a) Salaries, Wages & Allowances	713.23	416.09
b) Contribution To Provident & Other Funds	26.11	16.10
c) Gratuity	–	4.91
d) Welfare & Other Amenities	92.13	54.19
Excise Duty on Variation in Stocks [Refer Note No. 10 of Schedule - 20]	665.76	(287.47)
Rent	44.69	17.20
Rates & Taxes	72.21	44.06
Repairs To:		
Factory Shed & Building	28.31	23.26
Plant & Machinery	272.70	126.51
Others	128.63	76.25
Insurance	121.52	59.14
Rebates & Discount	2,052.51	209.54
Miscellaneous Expenses	1,336.48	823.47
Share Transfer Expenses	1.59	1.86
Auditors' Remuneration [Refer Note No. 18 of Schedule - 20]	11.36	9.13
Packing Expenses	338.98	206.23
Foreign Exchange Loss	–	1,716.37
Freight & Forwarding Expenses	1,186.69	861.30
Commission on sales (other than sole selling agents)	400.83	81.77
Loss on redemption of Mutual Fund (Short term)	–	2.23
Share Issue Expenses W/off	–	61.85
	9,841.15	5,535.18

	Year ended 31.03.2010	Year ended 31.03.2009
Schedule 19 INTEREST & OTHER FINANCIAL CHARGES		
Interest :		
On Term Loans	728.58	451.43
Others	1,465.63	874.23
Discount on Debentures W/Off	356.24	317.55
Bank Charges	237.65	259.08
	2,788.10	1,902.29

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule 20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements:

   a) The financial statements are prepared in accordance with Generally Accepted Accounting Principles (Indian GAAP) under the historical cost convention on accrual basis and on principles of going concern. The accounting policies are consistently applied by the Company.

   b) The financial statements are prepared to comply in all material respects with the accounting standards notified by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

   c) The preparation of the financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialise.

2. Revenue Recognition:

   a) Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

   b) Sales are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer which coincides with dispatch of goods to the customers. Sales are inclusive of excise duty, sales tax / VAT and delivery charges, if any. However, duties and taxes relating to sales are reduced from gross turnover for disclosing net turnover.

   c) Rebates & Discount on Sales are separately accounted for in the year of sale/settlement.

   d) Sale of energy is accounted for based on tariff rates agreed with Maharashtra State Electricity Distribution Company Limited.

   e) Purchases are net of CENVAT / VAT Credit, Trade Discounts and Claims.

   f) Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

3. Fixed Assets:

   a) Fixed Assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price (net of CENVAT / duty credits availed or available thereon) and any attributable cost of bringing the asset to its working condition for its intended use.

   b) Depreciation on fixed assets situated at Liluah Unit – I (Howrah) and Vizag is provided on written down value method and on other fixed assets is provided on straight line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

   c) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use, which is determined by the present value of the estimated future cash flows.

   d) Cost of the fixed assets that are not yet ready for their intended use at the balance sheet date together with all related expenses and advances paid to acquire fixed assets are shown under capital work in progress.

4. Investments:

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

5. Inventories:

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

SCHEDULES FORMING PART OF THE ACCOUNTS

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

6. Foreign Currency Transactions:
   a) Initial Recognition – Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

   b) Conversion – Foreign currency monetary items are reported using the closing rate. Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate on the date of transaction.

   c) Exchange differences - Exchange differences arising on the settlement or conversion of monetary current assets and liabilities are recognised as income or as expense in the year in which they arise. Exchange differences arising on a monetary item that, in substance form part of the Company's net investment in a non-integral foreign operation is accumulated in a Foreign Currency Translation Reserve in the financial statement until the disposal of the net investment at which time they are recognised as income or as expenses.

   d) Forward Exchange Contracts –Forward exchange contracts (other than those entered into to hedge foreign currency risk of future transactions in respect of which firm commitments are made or are highly probable forecast transactions) are translated at period end exchange rates and the resultant gains and losses as well as the gains and losses on cancellation of such contracts are recognised in the Profit and Loss Account. Premium or discount on such forward exchange contracts is amortised as income or expense over the life of the contract.

7. Derivative Financial Instruments and Hedging

   The Company enters into derivative financial instruments to hedge foreign currency risk of firm commitments and highly probable forecast transactions and interest rate risk. The method of recognising the resultant gain or loss depends on whether the derivative is designated as Hedging instrument, and if so, the nature of the item being hedged. The carrying amount of a derivative designated as a hedge is presented as a current asset or a liability.

   Cash Flow Hedge:

   Forward exchange contracts entered into to hedge foreign currency risks of firm commitments or highly probable forecast transactions, forward rate options, currency and interest rate swap that qualify as cash flow hedges are recorded in accordance with the principles of hedge accounting enunciated in Accounting Standard (AS) 30 – "Financial Instruments: Recognition and Measurement" issued by the Institute of Chartered Accountants of India. The gains or losses on designated hedging instruments that qualify as effective hedges are recorded in the Hedging Reserve account and are recognised in the statement of Profit and Loss in the same period or periods during which the hedge transactions affect Profit and Loss Account or are transferred to the cost of the hedged non-monetary asset upon acquisition.

   Gains or losses on the ineffective transactions are immediately recognised in the Profit and Loss Account. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in the Hedging Reserve are transferred to the statement of Profit and Loss immediately.

8. Government Grants:

   Government Grants are recognised when there is a reasonable assurance that the Company will comply with the conditions attached thereto and the grants will be received. Government Grants in the form of promoter's contribution are credited to Capital Reserve. Capital grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets. Government Grants related to revenue are recognised on a systematic basis in the Profit and Loss Account over the period to match them with the related cost.

9. Employees' Retirement Benefits:
   a) Defined Contribution Plan:

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

   b) Defined Benefit Plan:

      Liability with regard to long-term employee benefits is provided for on the basis of an actuarial valuation at the Balance

SCHEDULES FORMING PART OF THE ACCOUNTS

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

      Sheet date. Actuarial gain / loss is recognised immediately in the statement of profit and loss. The Company has an Employees Gratuity Fund managed by the Life Insurance Corporation of India.

   c) Short-term Compensated Absences are provided for based on estimates.

10. Project Development Expenses Pending Adjustment:

    Expenditure incurred on development and during preliminary stages of the Company's new projects are carried forward. However, if any project is abandoned, the expenditure relevant to such project is written off through the normal heads of expenses in the year in which it is so abandoned.

11. Borrowing Costs:
    a) Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised for the period until the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use.

    b) Other Borrowing costs are recognised as expense in the period in which they are incurred.

12. Discount on Issue of Debentures:

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

13. Research & Development Expenses:

    Revenue expenditure on Research and Development is charged as an expense through the normal heads of account in the year in which the same is incurred. Capital expenditure incurred on equipment and facilities that are acquired for research and development activities is capitalised and is depreciated according to the policy followed by the Company.

14. Expenditure during Construction and on New Projects:

    In the case of new industrial units and substantial expansion of existing units, all pre-operative expenditure specifically for the project, incurred up to the completion of the project, is capitalised and added pro-rata to the cost of fixed assets.

15. Taxes on Income:

    Tax expense comprises of current tax and deferred tax.

    a) Current tax is measured at the amount expected to be paid to the tax authorities, computed in accordance with the applicable tax rates and tax laws. In case of tax payable as per provisions of MAT under section 115JB of the Income Tax Act, 1961, deferred MAT Credit entitlement is separately recognised under the head "Loans and Advances". Deferred MAT credit entitlement is recognised and carried forward only if there is a reasonable certainty of it being set off against regular tax payable within the stipulated statutory period.

    b) Deferred tax liabilities and assets are recognised at substantively enacted rates on timing difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax asset is recognised only to the extent there is reasonable certainty with respect to reversal of the same in future years as a matter of prudence.

16. Leases:

    Assets taken on lease, under which all the risks and rewards of ownership are effectively retained by the lessor, are classified as operating lease. Operating Lease payments are recognised as an expense in the Profit & Loss Account on a straight line basis over the lease term.

17. Earnings per Share:
    a) Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

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

SCHEDULES FORMING PART OF THE ACCOUNTS

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

18. Provisions, Contingent Liabilities and Contingent Assets:
    a) Provision involving substantial degree of estimation in measurements is recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.
    b) Contingent Liabilities are shown by way of notes to the Accounts in respect of obligations where, based on the evidence available, their existence at the Balance Sheet date is considered not probable.
    c) A Contingent Asset is not recognised in the Accounts.
19. Miscellaneous Expenditure:
    Share Issue expenses related to issue of equity are adjusted against the Securities Premium Account.
20. Prior Period items :
    Prior Period and Extraordinary items and Changes in Accounting Policies having material impact on the financial affairs of the Company are disclosed.
21. Material Events occurring after Balance Sheet date are taken into consideration.

B) NOTES ON ACCOUNTS

1. Secured Loans
   a) Term Loan from State Bank of India is secured by way of first pari passu charge on fixed assets, movable and immovable, relating to Company's Naphthalene Plant situated at Mahistikry, Hooghly, West Bengal and first pari passu charge over the other fixed assets of Company's Coal Tar Pitch unit (excluding those relatable to expansion during the year) situated at Mahistikry, Hooghly, West Bengal. The term loan is further secured by way of first pari-passu charge on the leasehold land at Mahistikry, Hooghly, West Bengal and second pari-passu charge on the immovable properties of the Company situated at Liluah Unit-I & Liluah Unit- II (West Bengal) and Visakhapatnam (Andhra Pradesh). Also personally guaranteed by the promoter directors of the Company.
   b) Term Loan from Citibank and The Hong Kong and Shanghai Banking Corporation Ltd are secured by way of first pari-passu charge on all Plant and Machineries and other moveable fixed assets, both present and future, situated at Carbon Black Plant and on specific movable fixed assets of Coal Tar Distillation plant (relatable to expansion during the year) at Mahistikry, Hooghly, West Bengal. Credit facilities from The Hong Kong and Shanghai Banking Corporation Ltd are further secured by way of personal guarantee of promoter directors of the Company.
   c) Term Loan from Non-Banking Finance Company (NBFC) is secured by way of first pari-passu charge on the entire fixed assets of the Company's Coal tar pitch unit located at Mahistikry, Hooghly, West Bengal except Naphthalene Project and those relatable to expansion during the year. It is further secured by way of first pari-passu charge on the leasehold land of the Company situated at Mahistikry, Hooghly, West Bengal.
   d) ECB from International Finance Corporation and DBS Bank Ltd. are secured by way of equitable mortgage over the immovable properties of the Company ranking pari passu with the other lenders and first pari passu charge over the movable properties of the Company. The Company is in the process of creating charge for the above.
   e) Working Capital loans obtained from State Bank of India, Central Bank of India, DBS Bank Limited, Axis Bank Ltd, Citibank N.A., The Hong Kong and Shanghai Banking Corporation Ltd, Yes Bank Limited and ICICI Bank are secured by hypothecation of stock of raw materials, work-in progress, finished goods, stores, book debts and other current assets of the company on pari-passu basis.

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

SCHEDULES FORMING PART OF THE ACCOUNTS

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

      iii) Working Capital facilities obtained from Central Bank of India is secured by way of first pari- passu charge over the entire fixed assets of the Company situated at Liluah Unit I & II (West Bengal) and Visakhapatnam (Andhra Pradesh) and second pari-passu charge on the immovable properties of the Company located at Mahistikry, Hooghly (West Bengal).

2. Contingent Liabilities not provided for in respect of:

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
a) Bank Guarantees	993.63	554.65
b) Letter of Credit outstanding	903.06	685.43
c) Interest on FCCB	121.80	–
d) Claims against the company in respect of statutory liabilities disputed under appeal:		
– Custom Duty	28.83	28.83
– Sales Tax	257.91	257.91
– Service Tax / Excise Duty	64.46	43.35

3. Estimated amount of commitments on capital account (net of advances) - Rs. 6855.69 lacs (Previous Year Rs. 204.98 lacs).
4. Estimated amount of export obligation to be fulfilled in respect of goods imported under advance license/ Export Promotion Capital Goods Scheme (EPCG) - Rs. 8511.25 lacs. (Previous Year Rs. 4837.06 lacs)
5. Fixed Deposits of Rs. 808.41 lacs (Previous Year Rs 150.98 lacs) have been lodged with the Banks as margin against Letters of Credit & Bank Guarantees issued on behalf of the Company.
6. Capital Work-in-Progress includes:
   i. Expenditure during construction period on substantial expansion / new industrial units of the Company as under:

(Rs. in Lacs)

	2009-10		2008-09	
Opening Balance		1915.40		242.49
Add: Incurred during the year				
Consumables Stores and Spares	3.80		19.16	
Employees' Emoluments	66.06		119.00	
Raw Materials Consumed	–		60.77	
Excise Duty on Variation in Stock	–		8.21	
Sales Returns	41.55		–	
Power & Fuel	524.58		58.21	
Rates & Taxes	3.99		15.98	
Repairs & Maintenance	33.68		12.19	
Insurance	6.63		13.01	
Upfront fees & Processing charges	811.17		–	
Bank Charges	0.16		1.55	
Interest on Term Loans	599.38		1106.64	
Rent	9.70		–	
Miscellaneous Expenses	235.99		430.59	
	2336.69		1845.31	
Sales of trial run production	–		(41.55)	
(Increase)/Decrease in Stock of trial run production	(27.65)	2309.04	(65.13)	1738.63
		4224.44		1980.92
Less: Capitalised during the year		(3752.38)		(65.72)
		472.06		1915.40

SCHEDULES FORMING PART OF THE ACCOUNTS

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

ii. Rs. 2784.76 lacs on account of advances against capital expenditure (Previous year Rs. 2907.77 lacs).

iii. Rs. 545.13 lacs on account of stock of stores and spares (Previous year Rs. 594.08 lacs).

7. During the year, the Company has changed its accounting policy relating to write off of share issue expenses from amortising 1/5th of the expenditure every year to adjusting the same against the balance available in Securities Premium Account as permitted in Section 78 of the Companies Act,1956. Had there been no change in the policy, the profit for the year would have been lower by Rs. 61.85 lacs.

8. Research and Development expenses aggregating to

a. Rs. 60.25 lacs (Previous year Rs. 21.31 lacs) in the nature of revenue expenditure

b. Rs. 121.86 lacs (Previous year Rs. 170.48 lacs) in the nature of capital expenditure have been included under the appropriate account heads.

9. Fixed Deposits include interest accrued but not due amounting to Rs. 39.87 lacs (Previous year Rs. 30.72 lacs)

10. Amount of excise duty on variation in stocks shown in Schedule 18 represents differential excise duty on opening and closing stock of finished goods.

11. Details of Investments purchased and sold during the year

	2009-10		2008-09	
	Units	Purchase Value (Rs. in lacs)	Units	Purchase Value (Rs. in lacs)
Reliance Floating Rate Fund	49658139.103	5000.43	–	–
Reliance Money Manager Fund	500242.575	5008.11	–	–
Reliance Medium Term Fund	29354898.002	5018.37	–	–
LIC – MF – Liquid Fund	150283024.602	16501.23	–	–
LIC – MF – Floating Rate Fund Short Term	66097342.10	6609.73	–	–
LIC – MF – Income Plus Fund	–	–	25000000.000	2500.00
LIC – MF– Interval Fund	–	–	25013424.662	2503.57

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

13. In the year 2007-08, the Company had issued 27,62,000 Warrants on a preferential basis to entities in the promoter group and Citigroup Venture Capital International Growth Partnership Mauritius Ltd. Each warrant carried a right to convert the same into one Equity Share of Rs. 10 each at a premium of Rs. 416 each (as per the formula prescribed under the SEBI (DIP) Guidelines within a period of 18 months from the date of allotment.

Of the above, 4,12,000 Warrants were converted into equal number of Equity Shares during the current year on receipt of balance consideration of Rs. 177.16 lacs, which has been utilised for capital expenditure.

Warrant holders holding 23,50,000 Warrants did not exercise the option and accordingly, the Board of Directors forfeited the same and credited the amount of Rs. 1010.50 lacs received against those warrants to Capital Reserve.

14. During the year, the Company has issued to International Finance Corporation (IFC), 70 Foreign Currency Convertible Bonds (FCCB) having a face value of USD 100,000 each aggregating USD 7 million. The FCCBs are hybrid instruments with an option of conversion into Equity Shares and an underlying foreign currency liability with redemption in the event of non conversion at the end of the period.

The bond holder has an option of converting these bonds into Equity Shares at any time within a period of 7 years from the date of issue at an initial conversion price of Rs 135 per share (face value Rs. 10 each) at the exchange rate prevailing on the date of conversion request. Unless the conversion option is exercised, the outstanding FCCB's will be redeemed in full at their

SCHEDULES FORMING PART OF THE ACCOUNTS

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

par value together with interest at the rate of 6 months LIBOR+3.35% p.a. accrued on a compounded 6-monthly basis.

As at 31 March 2010 conversion option has not been exercised in respect of any bond. The Company expects that the Bond holder will opt for conversion rather than redemption and consequently no interest is expected to be payable and therefore, the same is not provided for.

15. During the year, the Company has issued and allotted 63,10,000 Equity Shares of Rs. 10/- each on preferential basis to Bain Capital India Investments at a premium of Rs. 390 per share, aggregating to Rs. 25240.00 Lacs.

The object of the issue was to part finance its ongoing projects, capacity expansion and to meet increased working capital requirements. Out of the above proceeds, the Company has expended Rs. 5040.00 Lacs on the objects of the issue and Rs. 20200.00 Lacs representing temporary surplus funds are invested in Mutual Funds & Fixed Deposits.

16. Employee Benefits

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

Defined Contribution Plan

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

(Rs. in Lacs)

	2009-10	2008-09
Employer's Contribution to Provident and Other Funds	26.11	16.10

Defined Benefit Plan

The employee gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as on 31 March 2010 which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

(Rs. in Lacs)

	Gratuity (Funded)	
	31.03.2010	31.03.2009

i. Reconciliation of Opening and Closing Balances of the present value of Defined Benefit Obligation:

Defined Benefit obligation at beginning of the year	18.12	21.38
Current Service Cost	2.27	2.27
Interest Cost	1.45	1.71
Actuarial (Gain)/Loss	1.86	(2.30)
Benefits paid	–	(4.94)
Settlement cost	–	(0.30)
Defined Benefit obligation at the year end	23.70	18.12

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

Fair value of plan assets at beginning of the year	23.38	17.82
Expected return on plan assets	2.10	1.60
Actuarial Gain/(Loss)	–	0.43
Employers' contribution	–	8.47
Benefits paid	–	(4.94)
Settlement cost	–	–
Fair value of plan assets at the year end	25.48	23.37
Actual return on plan assets	2.10	1.60

SCHEDULES FORMING PART OF THE ACCOUNTS

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

(Rs. in Lacs)

	Gratuity (Funded)	
	31.03.2010	31.03.2009

iii. Reconciliation of fair value of assets and obligation:

Fair value of plan assets	25.48	23.37
Present value of obligation	23.70	18.12
Amount recognised as asset / (liability) in Balance Sheet**	–	–
** The excess of assets over liabilities have not been recognised as they are lying in an irrevocable trust fund.		

iv. Expenses recognised during the year in the Profit & Loss Account: (shown in Schedule – 18)

Current Service Cost	2.27	2.27
Interest Cost	1.45	1.71
Expected return on plan assets	(2.10)	(1.60)
Actuarial (Gain)/Loss	1.86	(2.72)
Net asset not recognised/adjusted	(3.48)	5.25
Net Cost	–	4.91

v. Break-up of Plan Assets as a percentage of total plan assets:

Insurer Managed Funds	100%	100%

vi. Actuarial Assumptions:

Mortality Table	LIC 1994-96 Ultimate	
Discount rate (per annum)	8%	8%
Expected Rate on Plan Assets (per annum)	9%	9%
Rate of escalation in salary (per annum)	4%	7%

(Rs. in Lacs)

vii. Other Disclosures:

	31.03.2010	31.03.2009	31.03.2008
Defined Benefit Obligation	23.70	18.12	21.38
Plan Assets	25.48	23.37	17.82
Surplus/(Deficit)	1.78	5.25	(3.56)
Experience Adjustment on Plan Liabilities	1.86	(2.30)	4.92

a) The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.

b) The discounting rate is considered based on market yield on government bonds having currency and terms consistent with the currency in terms of the post employment benefit obligations.

c) Expected rate of return assumed by the insurance company is generally based on their investment pattern as stipulated by the Government of India.

viii. The above information is certified by the actuary.

ix. The Company expects to contribute Rs. 8 lacs to the Gratuity Fund managed by the Life Insurance Corporation of India during the financial year 2010-11.

SCHEDULES FORMING PART OF THE ACCOUNTS

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

17. Detail of Payments and provisions on account of remuneration to managerial person is as under: *(Rs. in Lacs)*

	2009-2010	2008-2009
Salary to Managing Director		
Mr. Bankey Lal Choudhary	14.70	9.60
Salary to Executive Directors		
Mr. Shyam Sundar Choudhary	14.70	9.60
Mr. Vijay Kumar Choudhary	14.70	9.60
	44.10	19.20
Perquisites	–	–
Sitting Fees to Other Directors	1.80	0.95

Salaries paid to directors are included under Employees' Emoluments.

Liability for gratuity and leave encashment is provided on actuarial basis for the company as a whole. The amount pertaining to the directors is not ascertainable and therefore, not included above.

The computation of net profit for the purpose of Director's Remuneration u/s 349 of Companies Act, 1956 has not been enumerated since no commission has been paid to any of the directors. Fixed managerial remuneration has been paid to the whole-time directors within the limits prescribed in Schedule XIII of the Companies Act, 1956.

18. Auditors' Remuneration includes *(Rs. in Lacs)*

	2009-2010	2008-2009
a) Audit Fees	7.50	5.20
b) As Advisor		
Taxation matters	–	2.00
Company Law matters	1.00	–
Management Services	–	–
c) In any other matter	2.86	1.93
Total	11.36	9.13

19. Power & Fuel includes expenses incurred on operation of the Captive Power Plant :- *(Rs. in Lacs)*

	2009–2010	2008-2009
Consumable Stores & Spares	16.53	–
Diesel/ Furnace Oil	86.97	–
Operational Expenses	66.51	–
Total	170.01	–

20. Segment Reporting:

Primary Business Segment

Based on the synergies, risks and returns associated with business operations and in terms of Accounting Standard - 17, the Company is predominantly engaged in a single reportable segment of "Carbon Materials & Chemicals" during the year. The risks and returns of captive power plant are also directly associated with its manufacturing operations and hence not treated as a separate reportable segment.

Geographical Segment

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

SCHEDULES FORMING PART OF THE ACCOUNTS

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

Information about Secondary Geographical Segments

(Rs. in Lacs)

	2009-2010	2008-2009
Within India		
Segment Revenue	40,677.89	30,727.55
Segment Assets	1,16,822.17	74,993.87
Capital Expenditure during the year	12,386.39	23,375.76
Outside India		
Revenue	9,915.34	6,820.78

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

21. The Company has made current tax provision for Minimum Alternate Tax (MAT) u/s 115JB of the Income Tax Act, 1961. As per the provisions of Section 115JAA, MAT Credit receivable for the amount in excess over tax liability as per normal computation has been recognised as an asset. MAT credit is recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India. The said asset is created by way of a credit to the profit & loss account and shown as MAT Credit Entitlement. The Company will review the same at each balance sheet date and write down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

22. Related Party Disclosures:

i. Name of the related parties where control exists irrespective of whether transactions have occurred or not

a) Enterprise on which the Company has control

Himadri Global Investments Ltd. (HGIL)	Wholly Owned Subsidiary
Shandong Dawn Himadri Chemical Industry Ltd.	Subsidiary of HGIL

b) Entities / Individuals owning directly or indirectly an interest in the voting power that gives them control

None

ii. Names of the other related parties with whom transactions have taken place during the year

a) Key Managerial Personnel

Mr. Bankey Lal Choudhary	Managing Director
Mr. Shyam Sundar Choudhary	Executive Director
Mr. Vijay Kumar Choudhary	Executive Director
Mr. Anurag Choudhary	Chief Executive Officer
Mr. Amit Choudhary	President – Projects
Mr. Tushar Choudhary	President – Operations
Mr. Jatin Kapoor	CFO

b) Enterprises owned or significantly Influenced by the Key Managerial Personnel or their relatives

Himadri Credit & Finance Ltd.
Himadri Dyes & Intermediates Ltd.
Himadri Coke & Petro Ltd.
Himadri Industries Ltd.
AAT Techno-Info Ltd.
Sri Agro Himghar Ltd.
Himadri e-Carbon Ltd.

SCHEDULES FORMING PART OF THE ACCOUNTS

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

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

(Rs. in Lacs)

Nature of transaction	Referred in i(a) above		Referred in ii(a) above		Referred in ii(b) above	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Advance Given – Himadri Global Investment Ltd	1155.34	3.25				
Salary / Managerial Remuneration						
– Mr.Bankey Lal Choudhary			14.70	9.60		
– Mr.Shyam Sundar Choudhary			14.70	9.60		
– Mr.Vijay Kumar Choudhary			14.70	9.60		
– Mr. Anurag Choudhary			6.00	6.00		
– Mr. Amit Choudhary			6.00	6.00		
– Mr. Tushar Choudhary			6.00	6.00		
– Mr. Jatin Kapoor			20.34	–		
Repayment of Loan - Himadri Credit & Finance Ltd					150.00	150.00
Interest paid on loan - Himadri Credit & Finance Ltd					119.25	137.25
Discount on Debentures written off						
– Himadri Coke & Petro Ltd					356.24	317.55
Rent paid						
– Himadri Dyes& Intermediates Ltd					0.07	0.07
– Himadri Industries Ltd.					0.07	0.07
– Sri Agro Himghar Ltd					0.04	0.04
Amount received on allotment of Equity Shares on conversion of Warrants - Himadri Industries Ltd.					–	175.31
Sale of Shares in Himadri Coke & Petro Ltd						
– Sri Agro Himghar Ltd					–	6.00
BALANCES AT YEAR-END						
Loans Taken – Himadri Credit & Finance Ltd					900.00	1050.00
Advance Given – Himadri Global Investment Ltd	1119.12	3.25				
Deposit against Equity Warrants						
– Himadri Industries Ltd.					–	215.00
– Sri Agro Himghar Ltd					–	150.50
– AAT Techno–Info Ltd					–	430.00
– Himadri Credit & Finance Ltd					–	215.00
Investment held						
– Himadri Global Investment Ltd	49.25	0.57				
– Himadri Credit & Finance Ltd					33.49	33.49
– Himadri Dyes& Intermediates Ltd					72.00	72.00
– Himadri Industries Ltd.					84.50	84.50
– Himadri e–Carbon Ltd					4.00	4.00
Deep Discount Debentures – Himadri Coke & Petro Ltd					3280.20	2923.97

SCHEDULES FORMING PART OF THE ACCOUNTS

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

23. Operating Lease

The company has taken an SNF manufacturing unit in Vapi, Gujarat on an operating lease vide agreement dated 27 February 2009 from Chemsons Industrial Corporation for a period of 7 years with an option to exit or further renewal for a period of 10 years, effective from 1 April 2009. The lease rent payable shall increase by 10% every 5 years without cascading effect.

a) Future Lease Rental payments

(Rs. in Lacs)

	2009-10	2008-09
Not later than one year	24.00	24.00
Later than one year and not later than five years	98.40	96.00
Later than five years	26.40	52.80

b) Lease payments recognised in Profit and Loss Account – Rs.24 lacs (P. Y. Nil).

24. Earnings per Share (EPS):

(Rs. in Lacs)

		Year ended 31.03.2010	Year ended 31.03.2009
Net Profit for the year attributable to equity shareholders: (Rs. in lacs)	(a)	10,733.98	4,677.65
Weighted average number of Equity Shares of Rs.10 each outstanding during the period:	(b)	3,31,95,186	3,18,10,271
Add: Dilutive effect of issue of shares on exercise of warrants	(c)	–	28,02,986
Add: Dilutive effect of issue of shares on conversion of FCCB	(d)	14,48,694	–
Number of shares considered as weighted average shares and potential shares outstanding for calculation of diluted EPS	(e) = (b) + (c) +(d)	3,46,43,880	3,46,13,257
Earnings Per Share(Rs.) :			
Basic	(f) = (a) / (b)	32.34	14.70
Diluted	(g) = (a) / (e)	30.98	13.51

25. Deferred Tax:

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

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
Components of Deferred Tax Liability		
Depreciation	6,390.92	2,657.71
Components of Deferred Tax Assets		
Unabsorbed Capital Loss	–	44.27
Unabsorbed Depreciation	21.56	–
Net Deferred Tax Liability	6,369.36	2,613.44

Deferred tax asset on account of unabsorbed depreciation has been recognised as there exists virtual certainty of realisation on reversal of deferred tax liability in future years on account of depreciation.

26. There are no Micro, Small and Medium Enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at 31 March 2010. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

SCHEDULES FORMING PART OF THE ACCOUNTS

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

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

i. Capacity and utilisation:

	Unit	2009-10 (Qty)	2008-09 (Qty)
Item: Carbon Materials & Chemicals			
Licensed capacity	MT	N.A.	N.A.
Installed capacity #	MT	308000.000	169000.000
Item: Power			
Installed Capacity	Mega Watts	14.50	2.50

\# Installed capacity has been certified by the Management and accepted by the Auditors, being a technical matter.

ii. Quantitative details of product manufactured:

Item	Unit	2009-10 (Qty)	2008-09 (Qty)
Carbon Materials & Chemicals	MT	241454.235	157397.686
Coal Tar Tape	SMT	88325.530	33180.000
Power Generation	Million Kwh	28.16	3.67

Production includes quantity used for captive consumption / re-processing :-

Item	Unit	2009-10 (Qty)	2008-09 (Qty)
Carbon Materials & Chemicals	MT	90707.944	40126.672
Coal Tar Tape	SMT	9300	Nil
Power	Million Kwh	24.31	Nil

iii. Raw Materials Consumed*:

Item	Unit	2009-10		2008-09	
		(Qty)	Value (Rs. in lacs)	(Qty)	Value (Rs. in lacs)
Coal Tar, Pitch, Oils etc.	MT	166995.198	27,575.85	120543.019	20,318.83
Other Chemicals	MT	3542.188	260.46	Nil	Nil
Others			36.10		17.78
			27,872.41		20,336.61

* Excludes materials used for captive consumption / re-processing

iv. Sales:

Item	Unit	2009-10		2008-09	
		(Qty)	Value (Rs. in lacs)	(Qty)	Value (Rs. in lacs)
Carbon Materials & Chemicals *	MT	139378.249	55,967.73	115833.588	43,349.60
Coal Tar Tape	SMT	59211.320	96.06	40431.580	51.36
Windpower generated	Kwh	3851040	150.52	3665906	137.58
			56,214.31		43,538.54

* Sales include Rs-1621.30 lacs (previous year Rs 712.14 lacs) in respect of Oils used as Fuel and Rs. Nil (previous year Rs. 60.77 lacs) in respect of oils used as raw materials for trial run production.

SCHEDULES FORMING PART OF THE ACCOUNTS

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

v. Opening Stock:

Item	Unit	2009-10		2008-09	
		(Qty)	Value (Rs. in lacs)	(Qty)	Value (Rs. in lacs)
Carbon Materials & Chemicals *	MT	25560.467	3,992.04	23863.041	6,170.90
Coal Tar Tape	SMT	45675.630	44.98	52927.210	52.28
			4,037.02		6,223.18

*Includes 260 MT (Value Rs. 92.78 lacs) (Previous Year – Nil) out of trial run production

vi. Closing Stock:

Item	Unit	2009-10		2008-09	
		(Qty)	Value (Rs. in lacs)	(Qty)	Value (Rs. in lacs)
Carbon Materials & Chemicals	MT	36928.509	9,082.74	25300.467	3,899.26
Coal Tar Tape	SMT	65489.840	64.93	45675.630	44.98
			9,147.67		3,944.24

vii. Raw materials consumed, Production, Sales and Closing stock exclude figures relating to trial run production included under the head Capital Work-in-progress.

viii. Other Information:

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

(Rs. in Lacs)

Item	2009-10	2008-09
Raw Materials	5,141.64	4,763.95
Capital Goods	198.19	1,353.52

b) Expenditure (including pre-operative expenses /advances) in Foreign Currency:

(Rs. in Lacs)

Item	2009-10	2008-09
Travelling	81.30	23.63
Consultancy	178.57	235.67
Upfront & Processing Fees	276.43	24.67
Interest	146.31	–
Other matters	460.12	90.98

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

Item	2009-10		2008-09	
	(Rs. in lacs)	%	(Rs. in lacs)	%
i) Raw Materials				
Imported	6,636.50	23.81	4,297.42	21.13
Indigenous	21,235.91	76.19	16,039.19	78.87
	27,872.41	100.00	20,336.61	100.00
ii) Consumable Stores & Spares				
Imported	–	–	–	–
Indigenous	237.17	100.00	68.12	100.00
	237.17	100.00	68.12	100.00

SCHEDULES FORMING PART OF THE ACCOUNTS

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

28. Earnings in Foreign Exchange:
F.O.B. value of exports – Rs. 9675.83 lacs (Previous year – Rs. 6,739.01 lacs)

29. The Company has not made any remittance in foreign currencies on account of dividend during the year and does not have information as to the extent to which remittance in foreign currencies on account of dividends have been made on behalf of non – resident shareholders.

30. The Company has applied the Hedge Accounting principles set out in the Accounting Standard (AS) 30 Financial Instruments: Recognition and Measurement. Accordingly, all such contracts outstanding as on 31 March 2010 are marked to market and the loss aggregating Rs. 440.51 lacs arising on contracts that were designated as effective hedges of future cash flows has been recognised in the Hedging Reserve Account to be ultimately recognised in the Profit & Loss Account, depending on the exchange rate fluctuation till and when the underlying forecasted transactions occur.

31. Forward contracts/ hedging instruments outstanding as at the Balance Sheet date are as follows:

Nature (Nos.) of Contract	Foreign Currency	Buy/Sell	Amount in Foreign currency (in lacs)		Purpose
			2009-10	2008-09	
Forward contracts (2)	USD	Sell	80.00	10.00	Hedging Purpose
Currency Options (Nil)	USD	Sell	–	34.00	Hedging Purpose
Cross currency swaps (2)	USD	Sell	112.64	145.38	Hedging Purpose

Particulars of unhedged foreign currency exposure as at 31.03.2010 are as follows:

	Currency	2009-10	2008-09
a) Amounts payable in foreign currency	USD	405.92 lacs	181.10 lacs
b) Amounts receivable in foreign currency	USD	188.53 lacs	93.33 lacs

32. Previous year's figures have been reworked, re-grouped, re-arranged and reclassified, wherever considered necessary. Accordingly amounts and other disclosures for the preceding year are included as an integral part of the current year financial Statements and are to be read in relation to the amounts and other disclosures relating to the current year.

Signature to Schedules 1 to 20

As per our report of even date
For S. Jaykishan
Chartered Accountants
Firm Registration No. 309005E

on behalf of the Board of Directors

Sd/-
CA. B. K. Newatia
Partner
Membership No.: 050251
Place: Kolkata
Dated : 28 May 2010

Sd/-
B. L. Sharma
Company Secretary

Sd/-
Jatin Kapoor
Chief Financial Officer

Sd/-
B. L. Choudhary
Managing Director

Sd/-
S. S. Choudhary
Director

BALANCE SHEET ABSTRACT

Information Pursuant to Part IV of Schedule VI to the Companies Act, 1956
Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	042756	State Code	21
Balance Sheet Date	31 (Date) 03 (Month) 2010 (Year)		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	67220

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

Total Liabilities	12865826	Total Assets	12865826
Sources of Funds			
Paid-up Capital	385733	Deposit against Share Warrants	NIL
Reserves and Surplus	6978324	Secured Loans	3471488
Unsecured Loans	671000	Deferred Tax Liability	636936
Application of Funds			
Net Fixed Assets	6196066	Investments	2012048
Net Current Assets	3935367	Misc. Expenditure	NIL
Accumulated Losses	NIL		

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

Turnover	5211676	Total Expenditure	3759158
+/– Profit/Loss Before Tax	1452518	+/– Profit/Loss After Tax	1073398
Earnings Per Share (Basic) in Rs.	32.34	Earnings Per Share (Diluted) in Rs.	30.98
Dividend in %	10		

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

Product Description	Item Code No. (ITC Code)
Coal Tar Pitch	27081010
Creosote Oils	27079100
Naphthalene	27074000

As per our report of even date
For S. Jaykishan
Chartered Accountants
Firm Registration No. 309005E

on behalf of the Board of Directors

Sd/-
CA. B. K. Newatia
Partner
Membership No.: 050251
Place: Kolkata
Dated : 28 May 2010

Sd/-
B. L. Sharma
Company Secretary

Sd/-
Jatin Kapoor
Chief Financial Officer

Sd/-
B. L. Choudhary
Managing Director

Sd/-
S. S. Choudhary
Director

Statement pursuant to Section 212 of the Companies Act, 1956

Name of the subsidiary	Himadri Global Investment Limited Hong Kong	Shandong Dawn Himadri Chemical Industry Ltd, China
The financial year of the subsidiary Co ended on	31 March 2010	31 December 2009
No. of shares held by Holding Co as on the above date	7,83,680 Ordinary Shares of HK$1each	N.A.
Extent of interest of the Holding Co at the end of financial year of the subsidiary	100%	70.21%
Date from which it became a subsidiary	1 August 2006	15 January 2009
The net aggregate amount of Profits/(Losses) of the subsidiary so far as they concern the members of the Holding Co. not dealt with in the holding company's accounts		
– For the financial year of the subsidiary	Loss Rs.1.45 Lacs	Nil
– For the previous Financial year of the subsidiary since it became the holding company's subsidiary	Loss Rs.6.67 Lacs	Nil
The net aggregate amount of Profits/(Losses) of the subsidiary so far as they concern the members of the Holding Co. dealt with in the holding company's accounts		
– For the financial year of the subsidiary	Nil	Nil
– For the previous Financial year of the subsidiary since it became the holding company's subsidiary	Nil	Nil
Change in the interest of holding Company between the end of subsidiary's financial year and 31 March 2010	The subsidiary's financial year is same as that of the Company.	Interest of the holding Company increased by 9.95%
Material changes between the end of subsidiary's financial year and 31 March 2010 in:	The subsidiary's financial year is same as that of the Company.	
i) Fixed assets		Capital Expenditure incurred Rs. 74.48 Lacs
ii) Investments		Nil
iii) Moneys lent by the subsidiary		Nil
iv) Moneys borrowed by the subsidiary other than for meeting current liabilities		Nil

CORPORATE DATA

Directors
Anurag Choudhary
Principle Management Limited

Secretary
Executive Solutions Limited

Registered office
Room No. 2406
24th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Independent auditors
Sam Lai & Co.
Certified Public Accountants
Room No. 1608
16/F Nan Fung Tower
173 Des Voeus Road, Central
Hong Kong

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited financial statements of the Company for the year ended 31 March 2010.

Principal Activity

The principal activity of the Company was holding investment in China.

Results & Appropriations

The results of the Company for the year are set out in the statement of comprehensive income on page 34.

The Company did not recommend payment of any dividend.

Directors

The directors during the year and up to date of the report are:

CHOUDHARY Anurag	
Principal Management Limited	(Appointed on 30 November 2009)
Asiacorp (Hong Kong) Limited	(Resigned on 30 November 2009)

In accordance of the Company's Articles of Association, both directors continue in office.

Directors' Interests in Contracts of Significance

No contracts of significance in relation to the Company's business to which the Company, its fellow subsidiaries or its holding company was a party, and in which any director of the Company had a material, subsisted at the end of year or at any time during the year.

Directors' Benefits from Rights to Acquire Shares or Debentures

At no time during the year was the Company, its fellow subsidiaries or its holding company a party to any arrangements to enable the directors of the Company to acquire shares in or debentures of the Company or any other body corporate.

Auditors

The financial statements have been audited by Sam Lai & Co. who retire and, being eligible, offer themselves for re-appointment.

on behalf of the Board

Hong Kong
25 May 2010

Sd/-
Chairman

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
HIMADRI GLOBAL INVESTMENT LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Himadri Global Investment Limited set out on pages 34 to 41 which comprise the statement of financial position as at 31 March 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its result and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Sd/-
Sam Lai & Co.
Certified Public Accountants
Hong Kong
25 May 2010

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 March 2010

(HK$)

	Note	2010	2009
TURNOVER	3	–	–
Cost of Sales		–	–
Gross Profit		–	–
Other Income	3	–	–
Administrative Expenses		(23,170)	(49,161)
Loss before Tax	4	(23,170)	(49,161)
Income Tax Expense	6	–	–
Loss for the year		(23,170)	(49,161)
Other Comprehensive Income		–	–
Total Loss for the year		**(23,170)**	**(49,161)**

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF FINANCIAL POSITION as at 31 March 2010

(HK$)

	Note	2010	2009
ASSETS			
Non-Current Assets			
Investment in Subsidiary	7	19,887,461	–
Current Assets			
Cash & Cash Equivalents		11,209	4,740
Total Assets		**19,898,670**	**4,740**
EQUITY & LIABILITIES			
Capital & Reserve			
Share Capital	9	783,680	10,000
Accumulated Loss		(140,338)	(117,168)
Total Equity		**643,342**	**(107,168)**
Current Liabilities			
Accruals	10	15,000	52,669
Amount due to Holding Company	10	19,240,328	59,239
Total Liabilities		**19,255,328**	**111,908**
Total Equity & Liabilities		**19,89 8,670**	**4,740**

The financial statements on pages 34 to 41 were approved and authorised for issue by the board of directors on 25 May 2010 and are signed on its behalf by:

Sd/-
Directors

Sd/-
Directors

STATEMENT OF CHANGES IN EQUITY For the year ended 31 March 2010

(HK$)

	Issued Capital	Accumulated losses	Total Equity
Balance at 1 April 2008	10,000	(68,007)	(58,007)
Total Comprehensive Income for the year	–	(49,161)	(49,161)
Balance at 31 March 2009	10,000	(117,168)	(107,168)
Issuance of Capital	773,680	–	773,680
Total Comprehensive Income for the year	–	(23,170)	(23,170)
Balance at 31 March 2010	**783,680**	**(140,338)**	**643,342**

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENT For the year ended 31 March 2010

(HK$)

	2010	2009
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before Tax & Operating Cash Flows before Working Capital Changes	(23,170)	(49,161)
Increase in Amount due from Subsidiary Company	(6,103,741)	–
(Decrease)/Increase in Accruals	(37,669)	13,097
Increase in Amount due to Holding Company	19,181,089	35,364
Net Cash Used in Operating Activities	**13,006,509**	**(700)**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Share Capital	773,680	–
Increase in Investment in Subsidiary Company	(13,783,720)	–
Net Cash Used in Investing Activities	**(13,010,040)**	–
Net Increase/(Decrease) in Cash and Cash Equivalents	**6,469**	**(700)**
Cash and Cash Equivalents at Beginning of Year	**4,740**	**5,440**
Cash and Cash Equivalents at End of Year	**11,209**	**4,740**
Cash & Cash Equivalents		
Bank Balance	**11,209**	**4,740**

1. General Information

Himadri Global Investment Limited is a Company incorporated in Hong Kong with limited liability. The Company's registered office principal place of business are Room 2406, 24/Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The principal activity of the Company was holding investment in China.

The immediate holding company and ultimate holding company is Himadri Chemicals & Industries Limited, a company incorporated and listed in India.

2. Basis of Preparation and Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Adoption of New and Revised Hong Kong Financial Reporting Standards ("HKFRS")

In the current year, the Company has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations that are relevant to its operations and effective for annual period beginning on or after 1 April 2009. The adoption of these new and revised HKFRSs did not result in significant changes to the Company's accounting polices, presentation of the Company's financial statements and amounts reported for the current year and prior years.

HKAS 1 (Revised)	Presentation of Financial Statements
Amendments to HKFRS 2	Vesting Conditions and Cancellations
HKFRS 8	Operating Segments
HKAS 23 (Revised)	Borrowing Costs
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
HK (IFRIC) 13	Customer Loyalty Programmes
HK (IFRIC) 15	Agreements for the Construction of Real Estate
HK (IFRIC) 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) 18	Transfers of Assets from Customers
Annual Improvements to HKFRSs 2008	
Amendments to HKFRS 7	Improving Disclosure about Financial Instruments
Amendments to HK(IFRIC) 9 and HKAS 39	Embedded Derivatives

Except for HKAS 1 (Revised), the application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior adjustment has been required.

The Company has not applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 (Revised) — First-time Adoption of HKFRS
(Effective for annual periods beginning on or after 31 July 2009)

Amendments to HKFRS 1 — Additional Exemptions for First-time Adopter
(Effective for annual periods beginning on or after 1 January 2010)

Amendments to HKFRS 2 — Share-based Payment- Group Cash-settled Share-based Payment Transactions
(Effective for annual periods beginning on or after 1 January 2010)

HKAS 24 (Revised) — Related Party Disclosures
(Effective for annual periods beginning on or after 1 January 2011)

2. Basis of Preparation and Accounting Policies (Contd.)

a) Adoption of New and Revised Hong Kong Financial Reporting Standards ("HKFRS")

HKAS 27 (Revised) — Consolidated and Separate Financial Statements
(Effective for annual periods beginning on or after 1 July 2009)

HKFRS 3 (Revised) — Business Combination
(Effective for annual periods beginning on or after 1 July 2009)

HKFRS 9 — Financial Instruments
(Effective for annual periods beginning on or after 1 January 2013)

Amendments to HKAS 39 — Eligible Hedged Items
(Effective for annual periods beginning on or after 1 July 2009)

HK(IFRIC) – Int 14 (Amendment) — Prepayment of a Minimum Funding Requirement
(Effective for annual periods beginning on or after 1 January 2011)

HK(IFRIC) – Int 17 — Distributions of Non-cash Assets to Owners
(Effective for annual periods beginning on or after 1 July 2009)

HK(IFRIC) – Int 19 — Extinguishing Financial Liabilities with Equity Instruments
(Effective for annual periods beginning on or after 1 July 2010)

Annual Improvements to HKFRSs 2009
(Effective for annual periods beginning on or after 1 January 2010)

The application of HKFRS 3 (Revised) may affect the Company's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Company's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Company.

b. Basis of Preparation

The financial statements of the Company have been prepared on the historical cost basis.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the financial statements include applicable disclosures required by the Hong Kong Companies Ordinance.

c. Going Concern

The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business. The Company's continuance in business as a going concern is dependent on the undertaking from the holding company to provide continuing financial support to enable the Company to meet its liabilities, both present and future, as and when they fall due and/or the Company generating sufficient profits in the foreseeable future. The holding company agreed to provide continuing financial support to the company for atleast one year from the date that the financial statements are approved by the directors of the Company.

d. Investment in Subsidiary Company

A subsidiary is an enterprise which is controlled by the company whereby the Company has the power to govern the financial and operating policies of that enterprise so as to obtain benefits from its activities, or the Company owns directly or indirectly through subsidiaries more than on behalf of the voting power of that enterprise unless such ownership does not constitute control.

2. Basis of Preparation and Accounting Policies (Contd.)

Investments in subsidiaries are stated at cost less impairment losses, if necessary. Provision is made only when in the opinion of the directors, there is a permanent diminution in value. The results of subsidiary company are accounted to the extent of dividend received and receivable.

e. Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised as income immediately.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

f. Functional and Presentation Currency

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company

g. Foreign Currencies

In preparing the financial statements, transactions in currencies other than the functional currency of the Company (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the Company operates) at the rates of exchanges prevailing on the dates of the transactions. At each end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

h. Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. However, the measurement of deferred tax liabilities associated with an investment property measured at fair value shall not exceed the amount of tax that would be payable on its sale to an unrelated market participant at fair value at the end of the reporting period. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

ACCOUNTING POLICIES & EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2010

2. Basis of Preparation and Accounting Policies (Contd.)

i. Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheet when a company entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

The Company's financial assets are comprised of loans and receivables. The accounting policies adopted in respect of financial assets are set out below.

Loan and receivables

Loan and receivables (including trade receivables, other receivables, bank deposits, balance and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent into initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial Liabilities

The Company's financial liabilities are other payables. Financial liabilities are recognised when the Company becomes a party to the contractual provision of the instrument.

Financial liabilities are initially recognised at fair value, net of transactions costs incurred and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation specified in the contract is discharges or cancelled, or expires.

j. Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is materials, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

k. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

l. Trade and Other Receivable

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

m. Trade and Other Payables

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original amount.

n. Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

3. Turnover & Other Revenue

The Company did not have any turnover or other revenue for the year.

4. Loss before taxation

Loss before tax is stated at after charging the following:

(HK$)

	2010	2009
Charging:		
Auditors' Remuneration	15,000	12,000

5. Directors' Remuneration

None of the directors received or will receive any fees or emoluments in respect of their services to the Company during the year (2009: Nil).

6. Income Tax Expense

No Hong Kong profits tax has been provided as the Company has no profits arising in Hong Kong during the year.

No provision for deferred taxation has been made in these financial statements as the effect of temporary differences is immaterial to the Company.

7. Investment in Subsidiary

(HK$)

	2010	2009
Unlisted shares, at Cost	13,783,720	–
Add: Amount due from Subsidiary Company	6,103,741	–
	19,887,461	–

Details of subsidiary company at 31 March 2010 are as follows:

Name of Company	Place of Incorporation	Percentage of Shareholding		Nature of Business
		2010	2009	
Shan Dong Dawn Himadri Chemical Industry Limited	The People's Republic of China	80.16%	–	Dormant

As at 31 March 2010, the Company injected capital of HK$13,783,720 (Equal to USD 1,775,000) to the Subsidiary. According to the Certificate of Approval for establishment of the Subsidiary, the Company has to inject totally RMB47,000,000 into the Subsidiary within two years from 15 January 2009 so as to increase the percentage of shareholding to 94%.

On 16 April 2010, a further USD 1,000,000 was injected to increase the shareholding of the Subsidiary.

Investment in subsidiary is stated at cost and no provisions for impairment loss, if any, of the investments have been made in the financial statements as the directors are of the opinion that there has been no permanent loss on the investment.

8. Acquisitions during the Year

On 29 March 2010, the Company cumulatively acquired 80.16% of the voting equity instruments of Shan Dong Dawn Himadri Chemical Industry Limited, a company whose principal activity is dormant.

(HK$)

	2010	2009
Fair value of asset and liabilities acquired	13,783,720	–
Consideration paid		
Cash	(13,783,720)	–
	–	–

9. Share Capital

(HK$)

	2010	2009
Authorised, issued & fully paid		
783,680 ordinary shares of HK$1 each (2009: 10,000 ordinary shares of HK$1 each)	783,680	10,000

On 31 December 2009, the Company passed an Ordinary Resolutions that the authorised capital of the Company be increased from HK$10,000 to HK$783,680 by the creation of additional 773,680 ordinary shares of HK$1 each, and that such new shares shall rank pari passu in all respects with the relevant existing shares of the Company.

On the same date, the Company allotted 773,680 shares to shareholder to increase the capital base of the Company.

10. Other Payables and Accruals

(HK$)

	2010	2009
Accruals	15,000	52,669
Amount due to Holding Company	19,240,328	59,239
	19,255,328	111,908

The amount due to holding company is unsecured, interest free and repayable on demand.

11. Financial Instruments

The Company's major financial instruments include other payables, accruals and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

i) Liquidity risk
ii) Credit risk
iii) Foreign currency risk

Policy for managing these risks is set by the Board following recommendations from directors. Certain risks are managed centrally, while others are managed locally. The policy for each of the above risks is described in more detailed below.

i) Liquidity Risk

Ultimate responsibility for liquidity management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve. The Company relies on operating cash flow and provision of funds from holding company as significant sources of liquidity.

The following table details the Group's remaining contractual maturity for its financial liabilities:

(HK$)

2010	On demand or within 90 days	91 to 180 days	Total
Accruals	15,000	–	15,000
Amount due to Holding Company	19,240,328	–	19,240,328
	19,255,328	–	19,255,328

(HK$)

2009	On demand or within 90 days	91 to 180 days	Total
Accruals	52,669	–	52,669
Amount due to Holding Company	59,239	–	59,239
	111,908	–	111,908

ii) Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company exposed to credit risk from loan and receivables. The Company has adopted a credit policy to monitor and mitigate credit risk arising from trade debtors. Credit limit is regularly reviewed and approved by head of credit control. The Company assesses credit risk based on customer's past due record, trading history, financial condition or credit rating. The Company does not expose to concentration of credit risk.

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that substantially all of the amounts are carried with Hong Kong Bank. However, the Company believes this risk is remote as the banks are high credit quality financial institutions.

iii) Foreign Currency Risk

The Company has certain financial assets and liabilities denominated in foreign currencies which expose the Company to foreign currency risk. The Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Auditors' Report

To
The shareholders of SHANDONG DAWN HIMADRI CHEMICAL INDUSTRY LTD

We have audited the accompanying financial statements of Shandong Dawn Himadri chemical industry LTD. which comprise the balance sheet as at 31 December 2009, income statement for the year ended on that date and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business and Accounting Systems for Business Enterprises. This responsibility includes (1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; (2) selecting and applying appropriate accounting policies; (3) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing for Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement give a true and fair view of the financial position of the company as at 31 December 2009, and of its financial performance for the year ended on that date ended in accordance with the Accounting Standards for Business Enterprises and China Accounting System for Business enterprises.

Yantai TIANHONG CPA CO.,LTD Chinese CPA: Jiang fu juan

Chinese CPA: Hao yan jiang

Longkou . China Report date: 2010year 2 month 3 day

BALANCE SHEET As at 31 December 2009

Fin. sheet no. 01 Currency: yuan

Assets	Beginning balance	Closing balance	Liability and owner's equity	Beginning balance	Closing balance
Current Assets			Current Liabilities		
Cash	7070491.39	89317.24	Accounts payable		6590403.83
Other accounts receivable		343867.50	Accrued taxes		9616.50
			Other accounts payable		10779.00
Total current assets	7070491.39	433184.74	Total Current liabilities		6610799.33
NON-CURRENT ASSETS			NON-CURRENT LIABILITIES		
Fixed assets		37000.44	Total liabilities		6610799.33
Construction in process		12248481.83	Owner's equity(share holder's equity)		
Intangible assets		2989625.01	Capital	7070491.39	10070491.39
Long-term deferred expense		972998.70	Total owner's equity (stock holders' equity)	7070491.39	10070491.39
Total non-current assets		16248105.98			
Total	7070491.39	16681290.72	Total	7070491.39	16681290.72

INCOME STATEMENT For the year ended 31 December 2009

Currency: yuan (RMB)

	Line No.	Current Month	Current Year cumulative
Operating income	1		
Less: Operating cost	2		
Business tax and extra charges	3		
Sales expense	4		
Administrative expense	5		
Financial expense	6		
Asset value impairment	7		
Add: Gain/Loss of the change of fair value	8		
Investment income	9		
Including: Investment income from associates	10		
Operating profit	11		
Add: Non-operating income	12		
Less: Non-operating expense	13		
Including: Net loss from non-current assets disposal	14		
Total profit	15		
Less: Income tax expense	16		
Net profit	17		

YEAR 2009 FINANCIAL REPORTS EXPLANATORY NOTES

Company overview:

Shandong Dawn Himadri Chemical industry LTD locate in North Heping road longkou economic development zone Longkou city, it is a joint-venture company (joint by Hong Kong and Chinese investment), registered capital is 50 million RMB, Legal representative is Anurag Choudhary, business range is : produce coal tar pitch and related byproduct and relevant downstream product. (None product managed by state export license).

Significant Accounting policies

1. The applicable accounting regulation: the Accounting Standard for Chinese Enterprises and Accounting Regulation for Chinese Enterprises.
2. Fiscal year: the fiscal year of the company runs from 1 January to 31 December of each calendar year
3. Bookkeeping and valuation basis: the accrual basis and debt-credit bookkeeping, historical cost based valuation is adopted
4. Recording currency; Renminbi(RMB)
5. Inventories: inventories are valued at the actual cost. Dispatched inventories are adopted in weighted average method.
6. Bad debts: direct write-off method
7. Fixed assets and depreciation: fixed assets is measured at actual cost, the fixed assets are depreciated on straight-line basis over their estimated useful lives. The residual value is estimated at 10%of the original cost.
8. Tax: VAT rate 17%, corporate income tax rate 25%
9. Foreign currency exchange method: It is adopted to acquisition date foreign currency exchange rate. At the end of the reporting year, the amount of transactions in foreign currencies was adjusted to the mid-exchange rate quoted by authorities. The resulting exchange gains or losses were entered into "Long term deferred expense –financial expense- exchange gain or loss)
10. Financial statements compiling principles: this report is adopted by The Accounting Standard for Chinese Enterprises and Accounting Regulation for Chinese Enterprises

The company is in initial construction period, it has not begun operation in the reporting year.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To

The Board of Directors of **Himadri Chemicals & Industries Limited**

1. We have audited the attached Consolidated Balance Sheet of HIMADRI CHEMICALS & INDUSTRIES LIMITED ("the Company") and its subsidiaries ("the Group") as at 31 March 2010 and also the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The financial statements of the subsidiaries, Himadri Global Investments Limited (incorporated in Hong Kong), Shandong Dawn Himadri Chemical Industry Limited (incorporated in The People's Republic of China), with total assets of Rs. 1,688.90 lacs as at 31 March 2010 and total expenditure of Rs. 1.45 lacs for the year ended on that date have not been audited by us. These financial statements have been audited by other auditor, whose report has been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of this subsidiary is based solely on the report of other auditor.
4. We report that the Consolidated Financial Statements have been prepared by the Group in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements" notified by the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of the Company and its subsidiaries.
5. Based on our audit and on consideration of the report of other auditor on separate financial statements of the subsidiary, and on the basis of information and explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   i. in case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 31 March 2010,
   ii. in case of the Consolidated Profit & Loss Account, of the consolidated results of operations of the Group for the year ended on that date, and
   iii. in case of the Consolidated Cash Flow Statement, of the consolidated cash flows for the year ended on that date.

For **S. Jaykishan**
Chartered Accountants,
Firm Registration No. 309005E

Sd/-
CA. B.K. Newatia
Partner
M. No. 050251

Place: Kolkata
Dated: 28 May 2010

CONSOLIDATED BALANCE SHEET As at 31 March 2010

(Rs. in Lacs)

	Schedule	As at 31.03.2010	As at 31.03.2009
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	3,857.33	3,185.13
b) Deposit against Share Warrants [Refer Note No. 14 of Schedule - 20]		–	2,588.46
c) Reserves & Surplus	2	69,767.03	32,608.31
2. Minority Interest		197.57	–
3. Loan Funds			
a) Secured Loans	3	34,714.88	31,272.60
b) Unsecured Loans	4	6,710.00	3,193.97
4. Deferred Tax Liability [Refer Note No. 26 of Schedule - 20]		6,369.36	2,613.44
TOTAL		121,616.17	75,461.91
II. APPLICATION OF FUNDS			
1. Fixed Assets	5		
a) Gross Block		66,402.65	32,617.84
b) Less : Depreciation		8,664.41	6,181.49
c) Net Block		57,738.24	26,436.35
d) Capital Work in Progress [Refer Note No. 8 of Schedule - 20]		5,720.97	25,618.22
2. Investments	6	20,071.23	199.39
3. Current Assets, Loans & Advances			
a) Inventories	7	15,859.50	9,555.08
b) Sundry Debtors	8	13,484.57	7,484.79
c) Cash & Bank Balances	9	3,330.58	959.93
d) Loans & Advances	10	12,973.68	11,180.45
		45,648.33	29,180.25
Less : Current Liabilities & Provisions			
a) Current Liabilities	11	4,624.80	4,991.39
b) Provisions	12	2,937.80	1,110.62
		7,562.60	6,102.01
Net Current Assets		38,085.73	23,078.24
4. Miscellaneous Expenditure (To the extent not written off/or adjusted)	13	–	129.71
TOTAL		121,616.17	75,461.91
Significant Accounting Policies & Notes On Accounts	20		

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

As per our report of even date
For S. Jaykishan
Chartered Accountants
Firm Registration No. 309005E

on behalf of the Board of Directors

Sd/-
CA. B. K. Newatia
Partner
Membership No.: 050251
Place: Kolkata
Dated : 28 May 2010

Sd/-
B. L. Sharma
Company Secretary

Sd/-
Jatin Kapoor
Chief Financial Officer

Sd/-
B. L. Choudhary
Managing Director
Sd/-
S. S. Choudhary
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 31 March 2010

(Rs. in Lacs)

	Schedule	Year ended 31.03.2010	Year ended 31.03.2009
INCOME			
Sales	14	56,214.31	43,538.54
Less : Taxes & Duties		5,621.08	5,990.21
Net Sales		50,593.23	37,548.33
Other Income	15	1,523.53	394.32
TOTAL		52,116.76	37,942.65
EXPENDITURE			
Decrease/(Increase) in Stocks	16	(5,390.38)	(781.27)
Raw Materials Consumed	17	27,872.41	20,336.61
Manufacturing & Other Expenses	18	9,842.51	5,538.07
Interest & Other Financial Charges	19	2,788.19	1,902.30
Depreciation		2,480.30	1,572.28
TOTAL		37,593.03	28,567.99
PROFIT BEFORE TAX & EXCEPTIONAL ITEM		14,523.73	9,374.66
Less: Exceptional Item		–	3,060.21
PROFIT BEFORE TAX		14,523.73	6,314.45
Provision for Taxation :			
Current Tax		2,488.00	710.00
Fringe Benefit Tax		–	22.00
Deferred Tax		3,755.92	984.49
MAT credit entitlement		(2,452.72)	(76.79)
PROFIT AFTER TAX		10,732.53	4,674.75
Surplus from earlier year		12,026.25	8,736.92
AMOUNT AVAILABLE FOR APPROPRIATION		22,758.78	13,411.67
APPROPRIATIONS			
Transfer to General Reserve		1,500.00	1,000.00
Dividend for earlier year		–	6.80
Proposed Dividend		385.73	322.63
Corporate Dividend Tax		64.07	55.99
BALANCE CARRIED TO BALANCE SHEET		20,808.98	12,026.25
Earnings Per Share(Rs.) : [Refer Note No. 25 of Schedule - 20] (Face Value Rs.10 each)			
Basic		32.33	14.70
Diluted		30.98	13.51
Significant Accounting Policies & Notes On Accounts	20		

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

As per our report of even date
For S. Jaykishan
Chartered Accountants
Firm Registration No. 309005E

on behalf of the Board of Directors

Sd/-
CA. B. K. Newatia
Partner
Membership No.: 050251
Place: Kolkata
Dated : 28 May 2010

Sd/-
B. L. Sharma
Company Secretary

Sd/-
Jatin Kapoor
Chief Financial Officer

Sd/-
B. L. Choudhary
Managing Director
Sd/-
S. S. Choudhary
Director

CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 March 2010

(Rs. in Lacs)

	Year ended 31.03.2010		Year ended 31.03.2009	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax & Extra-Ordinary Items		14,523.73		6,314.45
Adjustments for :				
Depreciation	2,480.30		1,572.28	
Miscellaneous Expenditure Written Off	–		61.85	
Effect of changes in foreign currency translation	(7.72)		(0.58)	
Interest Paid	2,194.21		1,325.66	
Interest Received	(86.06)		(95.77)	
Dividend Received	(90.47)		(35.70)	
Loss on redemption of Mutual Funds	–		2.23	
Proportionate Discount on Debentures W/Off	356.24		317.55	
Provision for Gratuity	–		(3.56)	
		4,846.50		3,143.96
Operating Profit before Working Capital Changes		19,370.23		9,458.41
Adjustments for :				
(Increase)/Decrease in Trade & Other Receivables	(3,786.04)		(2,956.76)	
(Increase)/Decrease in Inventories	(6,304.42)		3,269.93	
Increase/(Decrease) in Trade & Other Payables	1,705.79		63.91	
		(8,384.67)		377.08
Cash generated from operations		10,985.56		9,835.49
Direct Tax Paid		(2,325.72)		(1,098.92)
Net Cash from Operating Activities		8,659.84		8,736.57
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets (including Capital Work-in-Progress)	(15,584.42)		(21,114.43)	
Interest Income	86.06		95.77	
Dividend Income	90.47		35.70	
Capital investment subsidy received	–		150.00	
Sale of investments	6,718.37		5,007.34	
Purchase of Investments	(26,590.21)		(5,003.57)	
Net Cash used in Investing Activities		(35,279.73)		(20,829.19)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of Shares	25,417.16		701.25	
Minority Interest Contribution	197.57		–	
Proceeds from issue of FCCBs	3,159.80		–	
Increase/(Decrease) in Long Term Borrowings	3,314.32		10,324.88	
Increase/(Decrease) in Working Capital Borrowings	127.96		2,481.45	
Share Issue Expenses	(694.70)		(5.00)	
Interest Paid	(2,158.36)		(1,325.66)	
Dividend Paid	(322.63)		(637.04)	
Dividend Tax Paid	(55.99)		(107.11)	
Net Cash from Financing Activities		28,985.13		11,432.77
Net Increase/(Decrease) in Cash/Cash Equivalents		2,365.24		(659.85)
Cash & Cash Equivalents at the beginning of the year (Refer Schedule 9 to the Accounts)		905.38		1,565.23
Cash & Cash Equivalents at the end of the year (Refer Schedule 9 to the Accounts)		3,270.62		905.38

Notes:

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard- 3 on 'Cash Flow Statement' notified by the Companies (Accounting Standards) Rules, 2006.
2. Cash and Cash equivalents include cash and cheques in hand and bank balances on current and fixed deposit accounts [Refer Schedule 9].
3. Figures in brackets indicate cash outflows.

As per our report of even date
For S. Jaykishan
Chartered Accountants
Firm Registration No. 309005E

on behalf of the Board of Directors

Sd/-
CA. B. K. Newatia
Partner
Membership No.: 050251
Place: Kolkata
Dated : 28 May 2010

Sd/-
B. L. Sharma
Company Secretary

Sd/-
Jatin Kapoor
Chief Financial Officer

Sd/-
B. L. Choudhary
Managing Director

Sd/-
S. S. Choudhary
Director

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rs. in Lacs)

	As at 31.03.2010		As at 31.03.2009	
Schedule 1 SHARE CAPITAL				
AUTHORISED				
7,00,00,000 Equity Shares of Rs.10/- each (Previous year 5,00,00,000 Equity Shares)		7,000.00		5,000.00
ISSUED, SUBSCRIBED AND PAID-UP				
3,85,73,257 Equity Shares of Rs.10/- each fully paid up (Previous year 3,18,51,257 Equity Shares)				
(Out of which, 1,55,42,857 Equity Shares issued for consideration otherwise than in cash)		3,857.33		3,185.13
		3,857.33		3,185.13

	As at 31.03.2010		As at 31.03.2009	
Schedule 2 RESERVES AND SURPLUS				
Capital Reserve				
Sales Tax Capital Subsidy		14.86		14.86
Capital Investment Subsidy				
As per last account	193.84		43.84	
Add : Received during the year	–		150.00	
		193.84		193.84
Amalgamation Reserve		61.30		61.30
Forfeiture of Share Warrants [Refer Note No. 14 of Schedule – 20]		1,010.50		–
Securities Premium				
As per Last Account	14,149.67		13,404.22	
Received during the year	26,322.92		745.45	
Share Issue Expenses Written Off [Refer Note No. 9 of Schedule - 20]	(824.41)		–	
		39,648.18		14,149.67
General Reserve				
As per Last Account	7,017.44		6,017.44	
Add : Transferred from Profit & Loss A/C	1,500.00		1,000.00	
		8,517.44		7,017.44
Foreign Exchange Translation Reserve		(47.56)		(0.37)
Hedging Reserve [Refer Note No. 27 of Schedule - 20]				
As per Last Account	(854.68)		–	
Movement during the year	414.17		(854.68)	
		(440.51)		(854.68)
Surplus as per Profit & Loss A/c annexed		20,808.98		12,026.25
		69,767.03		32,608.31

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
Schedule 3 SECURED LOANS		
[Refer Note No.3 of Schedule 20 for securities]		
Term Loans		
Rupee Loans		
– From Banks	10,048.00	14,255.44
– From Non Banking Finance Company	900.00	1,050.00
External Commercial Borrowings (ECB)		
– From a Bank	4,514.00	–
– From International Finance Corporation (IFC)	3,159.80	–
{Repayable within one year Rs 4958.72 lacs (previous year Rs 4373.60 lacs)}		
Working Capital Loans from Banks		
Rupee Loans	9,074.34	7,224.04
FCNR(B) Loan	2,257.00	–
Packing Credit	–	4,246.55
Buyers' Credit	4,761.74	4,494.53
Loan against Equipments & Vehicles	–	2.04
	34,714.88	31,272.60

	As at 31.03.2010	As at 31.03.2009
Schedule 4 UNSECURED LOANS		
LONG TERM		
Deep Discount Debentures		
Issued during financial year 2001–2002 aggregating Rs. 123 Crores at discounted price of Rs. 12.30 Crores redeemable at par at the end of 20 years from the date of allotment i.e. 24 September 2001	12,300.00	12,300.00
Less : Discount on issue of debentures to the extent not written off or adjusted	9,019.80	9,376.03
	3,280.20	2,923.97
70 Foreign Currency Convertible Bonds of USD 100000 each issued to International Finance Corporation (IFC) [Refer Note No.15 of Schedule 20]	3,159.80	–
Sales Tax Deferment	270.00	270.00
	6,710.00	3,193.97

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

Schedule 5 FIXED ASSETS

Description of Assets	GROSS BLOCK As on 01.04.2009	Addition during the year	Deletion during the year	Total Upto 31.03.2010	DEPRECIATION As on 01.04.2009	Provided during the year	Adjusted during the year	Total Upto 31.03.2010	NET BLOCK As at 31.03.2010	As at 31.03.2009
Tangible Assets										
Land	1,245.56	1,019.98	–	2,265.54	–	–	–	–	2,265.54	1,245.56
Factory Shed & Building	2,782.62	1,795.40	–	4,578.02	501.01	131.48	–	632.49	3,945.53	2,281.61
Plant & Machinery	26,833.01	27,977.99	–	54,811.00	4,961.69	2,129.19	–	7,090.88	47,720.12	21,871.32
Laboratory Equipments	205.30	193.65	–	398.95	78.78	13.70	–	92.48	306.47	126.52
Office Equipments	79.83	38.36	–	118.19	35.26	5.04	–	40.30	77.89	44.57
Furniture & Fixtures	175.54	104.08	–	279.62	78.35	12.72	–	91.07	188.55	97.19
Fire Extinguishers	27.06	46.25	–	73.31	5.81	2.50	–	8.31	65.00	21.25
Vehicles	291.69	67.75	–	359.44	145.98	23.88	–	169.86	189.58	145.71
Tubewell	10.62	–	–	10.62	1.87	0.50	–	2.37	8.25	8.75
Electrical Installations	596.70	1,798.15	–	2,394.85	88.05	79.32	–	167.37	2,227.48	508.65
Cycles	0.81	0.12	–	0.93	0.30	0.05	–	0.35	0.58	0.51
Computers	224.02	545.05	–	769.07	155.44	75.80	–	231.24	537.83	68.58
Tankers	145.08	–	–	145.08	128.95	6.45	–	135.40	9.68	16.13
Intangible Assets*										
Land usage rights	–	197.57	–	197.57	–	2.06	–	2.06	195.51	–
Software		0.46	–	0.46	–	0.23	–	0.23	0.23	–
Total	**32,617.84**	**33,784.81**	**–**	**66,402.65**	**6,181.49**	**2,482.92**	**–**	**8,664.41**	**57,738.24**	**26,436.35**
Previous Year Total	29,897.21	2,720.63	–	32,617.84	4,609.21	1,572.28	–	6,181.49	26,436.35	

Note:

1) Original Cost as at 31 March 2010 of Vehicles includes Rs. 119.31 lacs (Previous Year- Rs. 107.72 lacs) acquired under Auto Finance Scheme from Banks, of which Rs. 56.08 lacs (Previous Year- Rs. 53.26 lacs) was outstanding as at 31 March 2010.

* Includes Rs. 2.61 lacs debited to Capital Work- In- Progress

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rs. in Lacs)

	Face Value (Rs.)	As at 31.03.2010 No. of Shares	As at 31.03.2010 Amount	As at 31.03.2009 No. of Shares	As at 31.03.2009 Amount
Schedule 6 INVESTMENTS					
LONG TERM					
In Government Securities					
(Deposited with Government Authorities)					
Kishan Vikas Patra			0.07		0.07
In Shares of Joint Stock Companies					
Trade Investments(Unquoted,Fully Paid Up)					
In Wholly Owned Subsidiary					
Himadri Global Investments Ltd., Hong Kong	1 HK$	783,680	–	10,000	–
Other Than Trade					
Quoted, Fully Paid Up					
ACC Ltd.	10	1,275	1.95	1,275	1.95
Himadri Credit & Finance Ltd.	10	334,900	33.49	334,900	33.49
Transchem Ltd.	10	8,000	2.40	8,000	2.40
NDTV Ltd.	4	1,400	0.98	1,400	0.98
Unquoted, Fully Paid Up					
Himadri Dyes & Intermediates Ltd.	10	720,000	72.00	720,000	72.00
Himadri Industries Ltd.	10	493,300	84.50	493,300	84.50
Himadri e-Carbon Ltd.	10	40,000	4.00	40,000	4.00
CURRENT INVESTMENTS					
Unquoted, Other than Trade					
In Mutual Funds					
LIC MF Floating Rate Fund		99367885.922	9,936.79		–
LIC MF Savings Plus Fund		49350533.957	4,935.05		–
Templeton India Short Term Income Plan		270426.65	5,000.00		–
TOTAL			20,071.23		199.39
Aggregate Book Value of Unquoted Investments			20,032.41		160.57
Aggregate Book Value of Quoted Investments			38.82		38.82
Aggregate Market Value of Quoted Investments			48.39		42.52

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
Schedule 7 INVENTORIES		
(as taken, valued & certified by the management)		
Finished Goods*	9,147.67	4,009.37
Work-in-Progress	279.73	–
Raw Materials	6,165.51	5,499.49
Materials In Transit	194.65	25.41
Packing Materials	71.58	20.81
Furnace Oil	0.36	–
	15,859.50	9,555.08

* Includes stock of Rs. Nil (Previous Year - Rs.65.13 Lacs) of Trial run Production

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rs. in Lacs)

	As at 31.03.2010		As at 31.03.2009	
Schedule 8 SUNDRY DEBTORS				
(Unsecured, Considered Good)				
Debts outstanding for a period exceeding six months		1,021.51		811.83
Other Debts		12,463.06		6,672.96
		13,484.57		7,484.79
Schedule 9 CASH & BANK BALANCES				
Cash in Hand (As certified by Management)		139.61		58.61
Cheques in Hand		359.38		9.66
Balances with Scheduled Banks				
In Current Accounts		199.24		37.50
In EEFC Accounts		954.42		14.11
In Fixed Deposit Accounts [Refer Note Nos. 7 & 11 of Schedule - 20]		1,451.51		785.18
In Unclaimed Dividend Accounts		59.96		54.55
Balances with Foreign Banks				
In Current Accounts		166.46		0.32
		3,330.58		959.93
Schedule 10 LOANS & ADVANCES				
(Unsecured, Considered Good)				
Advances recoverable in cash or in kind or for value to be received				
To Subsidiary		–		–
To Others		5,167.81		6,632.40
Incentive Receivable		300.00		300.00
Balance with Central Excise & Cenvat Receivable		1,658.94		2,474.08
Sales Tax Deposit & VAT Receivable		360.81		456.30
Income Tax Payments		2,309.05		807.90
Income Tax Refundable		125.20		32.63
Deferred MAT Credit Entitlement [Refer Note No. 22 of Schedule - 20]		2,529.52		76.80
Earnest Money & Security Deposits		522.35		400.34
		12,973.68		11,180.45
Schedule 11 CURRENT LIABILITIES				
Sundry Creditors				
Due to Micro, Small & Medium Enterprises		–		–
Due to Others :				
For Capital Goods		710.28		2,409.75
Others		1,603.59		927.97
Unclaimed Dividend*		59.96		54.55
Derivative Contracts Payable [Refer Note No. 28 of Schedule - 20]		440.51		854.68
Other Liabilities		1,796.22		665.07
Advances from customers		14.24		79.37
		4,624.80		4,991.39

* There is no amount due and outstanding to be credited to Investor Education & Protection Fund.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
Schedule 12 PROVISIONS		
Provision for Taxation	2,488.00	732.00
Proposed Dividend	385.73	322.63
Corporate Dividend Tax	64.07	55.99
	2,937.80	1,110.62
Schedule 13 MISCELLANEOUS EXPENDITURE		
(To the extent not written off/or adjusted)		
Share Issue Expenses		
As per last account	129.71	186.56
Add: During the year	694.70	5.00
	824.41	191.56
Less: Amount Written Off during the year	824.41	61.85
[Refer Note No. 9 of Schedule - 20]		
	–	129.71

(Rs. in Lacs)

	Year ended 31.03.2010	Year ended 31.03.2009
Schedule 14 SALES		
Sales:		
Domestic	46,298.97	35,732.84
Export	9,915.34	7,805.70
	56,214.31	43,538.54
Schedule 15 OTHER INCOME		
Interest on Fixed Deposits with Bank	86.06	95.77
(TDS- Rs. 8.95 Lacs; P.Y. Rs. 20.76 Lacs)		
Dividend		
– on Long Term Investments (other than trade)	0.26	0.26
– on Current Investments (other than trade)	90.21	35.44
Foreign Exchange Gain	1,289.87	–
Warranty & other Claims	0.18	–
Consultancy Income (TDS- Rs. Nil; P.Y. Rs. 22.41 Lacs)	–	252.08
Miscellaneous Income	56.95	10.77
	1,523.53	394.32

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rs. in Lacs)

	Year ended 31.03.2010	Year ended 31.03.2009
Schedule 16 DECREASE/(INCREASE) IN STOCKS		
Opening Stock		
Finished Goods	3,944.24	6,223.18
Add : Stock out of trial run production	92.78	–
	4,037.02	6,223.18
Less : Closing Stock		
Finished Goods	9,147.67	3,944.24
Work–in–Progress	279.73	–
	9,427.40	3,944.24
	(5,390.38)	2,278.94
Less : Write Down of Inventory to NRV considered as exceptional item	–	3,060.21
Decrease/(Increase) in Stocks	(5,390.38)	(781.27)
Schedule 17 RAW MATERIALS CONSUMED		
Opening Stock	5,499.49	6,283.80
Add: Purchases	28,538.43	19,552.30
	34,037.92	25,836.10
Less: Closing Stock	6,165.51	5,499.49
	27,872.41	20,336.61

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rs. in Lacs)

		Year ended 31.03.2010		Year ended 31.03.2009
Schedule 18 MANUFACTURING & OTHER EXPENSES				
Consumable Stores & Spares		220.64		68.12
Power & Fuel		2,126.78		943.07
Employees' Emoluments [Refer Note No. 17 of Schedule - 20]				
a) Salaries, Wages & Allowances		713.23		416.09
b) Contribution To Provident & Other Funds		26.11		16.10
c) Gratuity		–		4.91
d) Welfare & Other Amenities		92.13		54.19
Excise Duty on Variation in Stocks [Refer Note No. 12 of Schedule - 20]		665.76		(287.47)
Rent		44.69		17.20
Rates & Taxes		72.36		44.06
Repairs To:				
Factory Shed & Building		28.31		23.26
Plant & Machinery		272.70		126.51
Others		128.63		76.25
Insurance		121.52		59.14
Rebates & Discount		2,052.51		209.54
Miscellaneous Expenses		1,336.75		825.65
Share Transfer Expenses		1.59		1.86
Auditors' Remuneration [Refer Note No. 19 of Schedule - 20]		12.30		9.84
Packing Expenses		338.98		206.23
Foreign Exchange Loss		–		1,716.37
Freight & Forwarding Expenses		1,186.69		861.30
Commission on sales (other than sole selling agents)		400.83		81.77
Loss on redemption of Mutual Fund (Short term)		–		2.23
Share Issue Expenses W/off		–		61.85
		9,842.51		5,538.07

Schedule 19 INTEREST & OTHER FINANCIAL CHARGES				
Interest :				
On Term Loans		728.58		451.43
Others		1,465.63		874.23
Discount on Debentures W/Off		356.24		317.55
Bank Charges		237.74		259.09
		2,788.19		1,902.30

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

Schedule 20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES

1. **Principles of consolidation**

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

   a) The financial statements of the Company and its subsidiaries are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra group transactions in accordance with the Accounting Standards (AS) 21- "Consolidated Financial Statements".

   b) In case of foreign subsidiaries, being non-integral foreign operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the Foreign Exchange Translation Reserve.

   c) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve as the case may be.

   d) The difference between the proceeds from disposal of investment in a subsidiary and the carrying amount of its assets less liabilities as of the date of disposal is recognised in the consolidated statement of Profit and Loss Account as exceptional item being the profit or loss on disposal of investment in subsidiary.

   e) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

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

3. Other significant accounting policies.

   Accounting for Intangibles

   Software is being amortised over a period of five years or useful life estimated by the management, whichever is lower. Land usage rights are amortised over the period of lease.

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

B) NOTES ON ACCOUNTS

1. **The following subsidiaries have been consolidated in the Financial Statements:**

Name of Subsidiaries	Country of Incorporation	Proportion of Ownership Interest
Himadri Global Investments Limited ("HGIL")	Hong Kong	100.00%
Shandong Dawn Himadri Chemical Industry Limited ("SDHCICL")	The People's Republic of China	80.16%

2. As at 31 March 2010, HGIL injected capital of HK$ 137.84 lacs (USD 17.75 lacs) to its subsidiary SDHCICL. According to the Certificate of Approval for establishment of the Subsidiary, HGIL has to inject a total of RMB 470 lacs into the subsidiary within two years from 15 January 2009 so as to increase the percentage of shareholding to 94%.

   On 16 April 2010, a further USD 10 lacs was injected to increase the shareholding in the Subsidiary.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

3. Secured Loans

a) Term Loan from State Bank of India is secured by way of first pari passu charge on fixed assets, movable and immovable, relating to Company's Naphthalene Plant situated at Mahistikry, Hooghly, West Bengal and first pari passu charge over the other fixed assets of Company's Coal Tar Pitch unit (excluding those relatable to expansion during the year) situated at Mahistikry, Hooghly, West Bengal. The term loan is further secured by way of first pari-passu charge on the leasehold land at Mahistikry, Hooghly, West Bengal and second pari-passu charge on the immovable properties of the Company situated at Liluah Unit-I & Liluah Unit- II (West Bengal) and Visakhapatnam (Andhra Pradesh). Also personally guaranteed by the promoter directors of the Company.

b) Term Loan from Citibank and The Hong Kong and Shanghai Banking Corporation Ltd are secured by way of first pari passu charge on all Plant and Machineries and other movable fixed assets, both present and future, situated at Carbon Black Plant and on specific movable fixed assets of Coal Tar Distillation plant (relatable to expansion during the year) at Mahistikry, Hooghly, West Bengal. Credit facilities from The Hong Kong and Shanghai Banking Corporation Ltd are further secured by way of personal guarantee of promoter directors of the Company.

c) Term Loan from Non-Banking Finance Company (NBFC) is secured by way of first pari-passu charge on the entire fixed assets of the Company's Coal tar pitch unit located at Mahistikry, Hooghly, West Bengal except Naphthalene Project and those relatable to expansion during the year. It is further secured by way of first pari-passu charge on the leasehold land of the Company situated at Mahistikry, Hooghly, West Bengal.

d) ECB from International Finance Corporation and DBS Bank Ltd. are secured by way of equitable mortgage over the immovable properties of the Company ranking pari passu with the other lenders and first pari passu charge over the movable properties of the Company. The Company is in the process of creating charge for the above.

e) Working Capital loans obtained from State Bank of India, Central Bank of India, DBS Bank Limited, Axis Bank Ltd, Citibank N.A., The Hong Kong and Shanghai Banking Corporation Ltd, Yes Bank Limited and ICICI Bank are secured by hypothecation of stock of raw materials, work-in progress, finished goods, stores, book debts and other current assets of the company on pari-passu basis.

Additionally,

i) Working Capital loans obtained from State Bank of India, is secured by second pari-passu charge over the entire fixed assets of the Company situated at Liluah Unit-I & Liluah Unit-II, West Bengal & Mahistikry Unit, Hooghly, West Bengal, and Visakhapatnam Unit, Andhra Pradesh.

ii) Working Capital loans obtained from Citibank N.A., The Hong Kong and Shanghai Banking Corporation Ltd, Yes Bank Limited, DBS Bank Limited, Axis Bank and ICICI bank are further secured by way of first pari-passu charge over the entire fixed assets of the Company situated at Liluah Unit- I & Liluah Unit-II (West Bengal) and Visakhapatnam (Andhra Pradesh) and second pari-passu charge on the entire fixed assets of the Company located at Mahistikry, Hooghly (West Bengal).

iii) Working Capital facilities obtained from Central Bank of India is secured by way of first pari- passu charge over the entire fixed assets of the Company situated at Liluah Unit I & II (West Bengal) and Visakhapatnam (Andhra Pradesh) and second pari-passu charge on the immovable properties of the Company located at Mahistikry, Hooghly (West Bengal).

4. **Contingent Liabilities not provided for in respect of:**

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
a) Bank Guarantees	993.63	554.65
b) Letter of Credit outstanding	903.06	685.43
c) Interest on FCCB	121.80	–
d) Claims against the company in respect of statutory liabilities disputed under appeal:		
– Custom Duty	28.83	28.83
– Sales Tax	257.91	257.91
– Service Tax / Excise Duty	64.46	43.35

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

5. Estimated amount of commitments on capital account (net of advances) - Rs. 7032.17 lacs (Previous Year Rs. 204.98 lacs).

6. Estimated amount of export obligation to be fulfilled in respect of goods imported under advance license/ Export Promotion Capital Goods Scheme (EPCG) - Rs. 8511.25 lacs. (Previous Year Rs. 4837.06 lacs)

7. Fixed Deposits of Rs. 808.41 lacs (Previous Year Rs 150.98 lacs) have been lodged with the Banks as margin against Letters of Credit & Bank Guarantees issued on behalf of the Company.

8. **Capital Work-in-Progress includes:**

i. Expenditure during construction period on substantial expansion / new industrial units of the Company as under:

(Rs. in Lacs)

	2009-10		2008-09	
Opening Balance		1915.40		242.49
Add: Incurred during the year				
Consumables Stores and Spares	3.80		19.16	
Employees' Emoluments	101.32		119.00	
Raw Materials Consumed	–		60.77	
Excise Duty on Variation in Stock	–		8.21	
Sales Returns	41.55		–	
Power & Fuel	524.58		58.21	
Rates & Taxes	6.49		15.98	
Auditors Remuneration	0.44		–	
Repairs & Maintenance	33.68		12.19	
Insurance	8.86		13.01	
Upfront fees & Processing charges	811.17		–	
Bank Charges	0.10		1.55	
Interest on Term Loans	599.38		1106.64	
Rent	55.00		–	
Depreciation and Amortisation	2.61		–	
Miscellaneous Expenses	604.45		430.59	
	2793.43		1845.31	
Sales of trial run production	–		(41.55)	
(Increase)/Decrease in Stock of trial run production	(27.65)	2765.78	(65.13)	1738.63
		4681.18		1980.92
Less: Capitalised during the year		(3752.38)		(65.72)
		928.80		1915.40

ii. Rs. 2811.09 lacs on account of advances against capital expenditure (Previous year Rs. 2907.77 lacs).

iii. Rs. 545.13 lacs on account of stock of stores and spares (Previous year Rs. 594.08 lacs).

9. During the year, the Company has changed its accounting policy relating to write off of share issue expenses from amortising 1/5th of the expenditure every year to adjusting the same against the balance available in Securities Premium Account as permitted in Section 78 of the Companies Act,1956. Had there been no change in the policy, the profit for the year would have been lower by Rs. 61.85 lacs.

10. Research and Development expenses aggregating to

a. Rs. 60.25 lacs (Previous year Rs. 21.31 lacs) in the nature of revenue expenditure

b. Rs. 121.86 lacs (Previous year Rs. 170.48 lacs) in the nature of capital expenditure have been included under the appropriate account heads.

11. Fixed Deposits include interest accrued but not due amounting to Rs 39.87 lacs (Previous year Rs.30.72 lacs)

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

12. Amount of excise duty on variation in stocks shown in Schedule 18 represents differential excise duty on opening and closing stock of finished goods.

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

14. In the year 2007-08, the Company had issued 27,62,000 Warrants on a preferential basis to entities in the promoter group and Citigroup Venture Capital International Growth Partnership Mauritius Ltd. Each warrant carried a right to convert the same into one Equity Share of Rs. 10 each at a premium of Rs. 416 each (as per the formula prescribed under the SEBI (DIP) Guidelines within a period of 18 months from the date of allotment.

    Of the above, 4,12,000 Warrants were converted into equal number of Equity Shares during the current year on receipt of balance consideration of Rs. 177.16 lacs, which has been utilised for capital expenditure.

    Warrant holders holding 23,50,000 Warrants did not exercise the option and accordingly, the Board of Directors forfeited the same and credited the amount of Rs. 1010.50 lacs received against those warrants to Capital Reserve.

15. During the year, the Company has issued to International Finance Corporation (IFC), 70 Foreign Currency Convertible Bonds (FCCB) having a face value of USD 100,000 each aggregating USD 7 million. The FCCBs are hybrid instruments with an option of conversion into Equity Shares and an underlying foreign currency liability with redemption in the event of non conversion at the end of the period.

    The bond holder has an option of converting these bonds into Equity Shares at any time within a period of 7 years from the date of issue at an initial conversion price of Rs 135 per share (face value Rs. 10 each) at the exchange rate prevailing on the date of conversion request. Unless the conversion option is exercised, the outstanding FCCB's will be redeemed in full at their par value together with interest at the rate of 6 months LIBOR+3.35% p.a. accrued on a compounded 6-monthly basis.

    As at 31 March 2010 conversion option has not been exercised in respect of any bond. The Company expects that the Bond holder will opt for conversion rather than redemption and consequently no interest is expected to be payable and therefore, the same is not provided for.

16. During the year, the Company has issued and allotted 63,10,000 Equity Shares of Rs. 10/- each on preferential basis to Bain Capital India Investments at a premium of Rs. 390 per share, aggregating to Rs. 25240.00 Lacs.

    The object of the issue was to part finance its ongoing projects, capacity expansion and to meet increased working capital requirements. Out of the above proceeds, the Company has expended Rs. 5040.00 Lacs on the objects of the issue and Rs. 20200.00 Lacs representing temporary surplus funds are invested in Mutual Funds & Fixed Deposits.

17. Employee Benefits

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

    Defined Contribution Plan

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

(Rs. in Lacs)

	2009-10	2008-09
Employer's Contribution to Provident and Other Funds	26.11	16.10

Defined Benefit Plan

The employee gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as on 31 March 2010 which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

(Rs. in Lacs)

	Gratuity (Funded)	
	31.03.2010	31.03.2009
i. Reconciliation of Opening and Closing Balances of the present value of Defined Benefit Obligation:		
Defined Benefit obligation at beginning of the year	18.12	21.38
Current Service Cost	2.27	2.27
Interest Cost	1.45	1.71
Actuarial (Gain)/Loss	1.86	(2.30)
Benefits paid	–	(4.94)
Settlement cost	–	(0.30)
Defined Benefit obligation at the year end	23.70	18.12
ii. Reconciliation of Opening and Closing Balances of fair value of plan assets:		
Fair value of plan assets at beginning of the year	23.38	17.82
Expected return on plan assets	2.10	1.60
Actuarial Gain/(Loss)	–	0.43
Employers' contribution	–	8.47
Benefits paid	–	(4.94)
Settlement cost	–	–
Fair value of plan assets at the year end	25.48	23.37
Actual return on plan assets	2.10	1.60
iii. Reconciliation of fair value of assets and obligation:		
Fair value of plan assets	25.48	23.37
Present value of obligation	23.70	18.12
Amount recognised as asset / (liability) in Balance Sheet**	–	–
** The excess of assets over liabilities have not been recognised as they are lying in an irrevocable trust fund.		
iv. Expenses recognised during the year in the Profit & Loss Account: (shown in Schedule – 18)		
Current Service Cost	2.27	2.27
Interest Cost	1.45	1.71
Expected return on plan assets	(2.10)	(1.60)
Actuarial (Gain)/Loss	1.86	(2.72)
Net asset not recognised/adjusted	(3.48)	5.25
Net Cost	–	4.91
v. Break-up of Plan Assets as a percentage of total plan assets:		
Insurer Managed Funds	100%	100%

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

vi. Actuarial Assumptions:

Mortality Table	LIC 1994-96 Ultimate	
Discount rate (per annum)	8%	8%
Expected Rate on Plan Assets (per annum)	9%	9%
Rate of escalation in salary (per annum)	4%	7%

(Rs. in Lacs)

vii. Other Disclosures:

	31.03.2010	31.03.2009	31.03.2008
Defined Benefit Obligation	23.70	18.12	21.38
Plan Assets	25.48	23.37	17.82
Surplus/(Deficit)	1.78	5.25	(3.56)
Experience Adjustment on Plan Liabilities	1.86	(2.30)	4.92

a) The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.

b) The discounting rate is considered based on market yield on government bonds having currency and terms consistent with the currency in terms of the post employment benefit obligations.

c) Expected rate of return assumed by the insurance company is generally based on their investment pattern as stipulated by the Government of India.

viii. The above information is certified by the actuary.

ix. The Company expects to contribute Rs. 8 lacs to the Gratuity Fund managed by the Life Insurance Corporation of India during the financial year 2010-11.

18. Detail of Payments and provisions on account of remuneration to managerial person is as under:

(Rs. in Lacs)

	2009-2010	2008-2009
Salary to Managing Director		
Mr. Bankey Lal Choudhary	14.70	9.60
Salary to Executive Directors		
Mr. Shyam Sundar Choudhary	14.70	9.60
Mr. Vijay Kumar Choudhary	14.70	9.60
	44.10	19.20
Perquisites	–	–
Sitting Fees to Other Directors	1.80	0.95

Salaries paid to directors are included under Employees' Emoluments.

Liability for gratuity and leave encashment is provided on actuarial basis for the company as a whole. The amount pertaining to the directors is not ascertainable and therefore, not included above.

The computation of net profit for the purpose of Director's Remuneration u/s 349 of Companies Act, 1956 has not been enumerated since no commission has been paid to any of the directors. Fixed managerial remuneration has been paid to the whole-time directors within the limits prescribed in Schedule XIII of the Companies Act, 1956.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

19. Auditors' Remuneration includes

(Rs. in Lacs)

	2009-2010	2008-2009
a) Audit Fees	8.44	5.91
b) As Advisor		
Taxation matters	–	2.00
Company Law matters	1.00	–
Management Services	–	–
c) In any other matter	2.86	1.93
Total	12.30	9.84

20. Power & Fuel includes expenses incurred on operation of the Captive Power Plant :-

(Rs. in Lacs)

	2009–2010	2008-2009
Consumable Stores & Spares	16.53	–
Diesel/ Furnace Oil	86.97	–
Operational Expenses	66.51	–
Total	170.01	–

21. Segment Reporting:

Primary Business Segment

Based on the synergies, risks and returns associated with business operations and in terms of Accounting Standard - 17, the Group is predominantly engaged in a single reportable segment of "Carbon Materials & Chemicals" during the year. The risks and returns of captive power plant are also directly associated with its manufacturing operations and hence not treated as a separate reportable segment.

Geographical Segment

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

Information about Secondary Geographical Segments

(Rs. in Lacs)

	2009-2010	2008-2009
Within India		
Segment Revenue	40,677.89	30,727.55
Segment Assets	1,16,822.17	74,993.87
Capital Expenditure during the year	12,386.39	23,375.76
Outside India		
Revenue	9,915.34	6,820.78
Capital Expenditure during the year	1501.17	–

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

22. The Company has made current tax provision for Minimum Alternate Tax (MAT) u/s 115JB of the Income Tax Act, 1961. As per the provisions of Section 115JAA, MAT Credit receivable for the amount in excess over tax liability as per normal computation has been recognised as an asset. MAT credit is recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India. The said asset is created by way of a credit to the profit & loss account and shown as MAT Credit Entitlement. The Company will review the same at each balance sheet date and write down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

23. Related Party Disclosures:

i. Name of the related parties where control exists irrespective of whether transactions have occurred or not

a) Entities / Individuals owning directly or indirectly an interest in the voting power that gives them control — None

ii. Names of the other related parties with whom transactions have taken place during the year

a) Key Managerial Personnel

Mr. Bankey Lal Choudhary	Managing Director
Mr. Shyam Sundar Choudhary	Executive Director
Mr. Vijay Kumar Choudhary	Executive Director
Mr. Anurag Choudhary	Chief Executive Officer
Mr. Amit Choudhary	President – Projects
Mr. Tushar Choudhary	President – Operations
Mr. Jatin Kapoor	CFO

b) Enterprises owned or significantly Influenced by the Key Managerial Personnel or their relatives

Himadri Credit & Finance Ltd.
Himadri Dyes & Intermediates Ltd.
Himadri Coke & Petro Ltd.
Himadri Industries Ltd.
AAT Techno-Info Ltd.
Sri Agro Himghar Ltd.
Himadri e-Carbon Ltd.

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

(Rs. in Lacs)

Nature of transaction	Referred in i(a) above		Referred in ii(a) above		Referred in ii(b) above	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Salary / Managerial Remuneration						
– Mr. Bankey Lal Choudhary			14.70	9.60		
– Mr. Shyam Sundar Choudhary			14.70	9.60		
– Mr. Vijay Kumar Choudhary			14.70	9.60		
– Mr. Anurag Choudhary			6.00	6.00		
– Mr. Amit Choudhary			6.00	6.00		
– Mr. Tushar Choudhary			6.00	6.00		
– Mr. Jatin Kapoor			20.34	–		
Repayment of Loan - Himadri Credit & Finance Ltd					150.00	150.00
Interest paid on loan - Himadri Credit & Finance Ltd					119.25	137.25
Discount on Debentures written off – Himadri Coke & Petro Ltd					356.24	317.55
Rent paid						
– Himadri Dyes& Intermediates Ltd					0.07	0.07
– Himadri Industries Ltd.					0.07	0.07
– Sri Agro Himghar Ltd					0.04	0.04
Amount received on allotment of Equity shares on conversion of warrants - Himadri Industries Ltd.					–	175.31

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

Transactions carried out with related parties referred to in above, in ordinary course of business, are as under *(Contd.)*:

(Rs. in Lacs)

Nature of transaction	Referred in i(a) above		Referred in ii(a) above		Referred in ii(b) above	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Sale of Shares in Himadri Coke & Petro Ltd						
– Sri Agro Himghar Ltd					–	6.00
BALANCES AT YEAR-END						
Loans Taken – Himadri Credit & Finance Ltd					900.00	1050.00
Deposit against Equity Warrants						
– Himadri Industries Ltd.					–	215.00
– Sri Agro Himghar Ltd					–	150.50
– AAT Techno–Info Ltd					–	430.00
– Himadri Credit & Finance Ltd					–	215.00
Investment held						
– Himadri Credit & Finance Ltd					33.49	33.49
– Himadri Dyes& Intermediates Ltd					72.00	72.00
– Himadri Industries Ltd.					84.50	84.50
– Himadri e–Carbon Ltd					4.00	4.00
Deep Discount Debentures – Himadri Coke & Petro Ltd					3280.20	2923.97

24. Operating Lease

The Company has taken an SNF manufacturing unit in Vapi, Gujarat on an operating lease vide agreement dated 27 February 2009 from Chemsons Industrial Corporation for a period of 7 years with an option to exit or further renewal for a period of 10 years, effective from 1 April 2009. The lease rent payable shall increase by 10% every 5 years without cascading effect.

a) Future Lease Rental payments

(Rs. in Lacs)

	2009-10	2008-09
Not later than one year	24.00	24.00
Later than one year and not later than five years	98.40	96.00
Later than five years	26.40	52.80

b) Lease payments recognised in Profit and Loss Account – Rs. 24 lacs (P. Y. Nil).

25. Earnings per Share (EPS):

(Rs. in Lacs)

		Year ended 31.03.2010	Year ended 31.03.2009
Net Profit for the year attributable to equity shareholders: (Rs. in lacs)	(a)	10,732.53	4,674.75
Weighted average number of Equity Shares of Rs.10 each outstanding during the period:	(b)	3,31,95,186	3,18,10,271
Add: Dilutive effect of issue of shares on exercise of warrants	(c)	–	28,02,986
Add: Dilutive effect of issue of shares on conversion of FCCB	(d)	14,48,694	–
Number of shares considered as weighted average shares and potential shares outstanding for calculation of diluted EPS	(e) = (b) + (c) +(d)	3,46,43,880	3,46,13,257
Earnings Per Share(Rs.) :			
Basic	(f) = (a) / (b)	32.33	14.70
Diluted	(g) = (a) / (e)	30.98	13.51

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

26. Deferred Tax:

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

(Rs. in Lacs)

	As on 31.03.2010	As on 31.03.2009
Components of Deferred Tax Liability		
Depreciation	6,390.92	2,657.71
Components of Deferred Tax Assets		
Unabsorbed Capital Loss	–	44.27
Unabsorbed Depreciation	21.56	–
Net Deferred Tax Liability	**6,369.36**	**2,613.44**

Deferred tax asset on account of unabsorbed depreciation has been recognised as there exists virtual certainty of realisation on reversal of deferred tax liability in future years on account of depreciation.

27. The Company has applied the Hedge Accounting principles set out in the Accounting Standard (AS) 30 Financial Instruments: Recognition and Measurement. Accordingly, all such contracts outstanding as on 31 March 2010 are marked to market and the loss aggregating Rs. 440.51 lacs arising on contracts that were designated as effective hedges of future cash flows has been recognised in the Hedging Reserve Account to be ultimately recognised in the Profit & Loss Account, depending on the exchange rate fluctuation till and when the underlying forecasted transactions occur.

28. Forward contracts/ hedging instruments outstanding as at the Balance Sheet date are as follows:

Nature (Nos.) of Contract	Foreign Currency	Buy/Sell	Amount in Foreign currency (in lacs)		Purpose
			2009-10	2008-09	
Forward contracts (2)	USD	Sell	80.00	10.00	Hedging Purpose
Currency Options (Nil)	USD	Sell	–	34.00	Hedging Purpose
Cross currency swaps (2)	USD	Sell	112.64	145.38	Hedging Purpose

Particulars of unhedged foreign currency exposure as at 31.03.2010 are as follows:

	Currency	2009-10	2008-09
a) Amounts payable in foreign currency	USD	405.92 lacs	181.10 lacs
	HKD	–	0.53 lacs
b) Amounts receivable in foreign currency	USD	163.74 lacs	93.33 lacs

29. Previous year's figures have been reworked, re-grouped, re-arranged and reclassified, wherever considered necessary. Accordingly amounts and other disclosures for the preceding year are included as an integral part of the current year financial Statements and are to be read in relation to the amounts and other disclosures relating to the current year.

Signature to Schedules 1 to 20

As per our report of even date
For **S. Jaykishan**
Chartered Accountants
Firm Registration No. 309005E

on behalf of the Board of Directors

Sd/-
CA. B. K. Newatia
Partner
Membership No.: 050251
Place: Kolkata
Dated : 28 May 2010

Sd/-
B. L. Sharma
Company Secretary

Sd/-
Jatin Kapoor
Chief Financial Officer

Sd/-
B. L. Choudhary
Managing Director

Sd/-
S. S. Choudhary
Director

CORPORATE INFORMATION

Board of Directors

Mr. Damodar Prasad Choudhary
– Chairman

Mr. Shyam Sundar Choudhary
– Executive Director

Mr. Bankey Lal Choudhary
– Managing Director

Mr. Vijay Kumar Choudhary
– Executive Director

Mr. Rahul Kumar Yadav
– Nominee of Citigroup Venture Capital International Growth Partnership Mauritius Ltd.

Mr. Amit. R. Chandra
– Nominee of Bain Capital India Investments

Mr. B.P. Dhanuka
– Non-Executive Independent Director

Dr. B. Sen
– Non-Executive Independent Director

Mr. S.K. Banerjee
– Non-Executive Independent Director

Mr. S.K. Saraf
– Non-Executive Independent Director

Mr. Rene Genin *– Director, Technical*

Mr. Manuel Cimas Gonzalez
– Director, Business Development

Senior Management Team

Mr. Anurag Choudhary
– Chief Executive Officer

Mr. Amit Choudhary
– President, Projects

Mr. Tushar Choudhary
– President, Operations

Dr. C.R. Natrajan *– President, R&D*

Dr. Soumen Chakraborty *– Joint President, (Carbon Black Business)*

Bankers

Central Bank of India
Citi Bank, N.A.
State Bank of India
The Hongkong & Shanghai Banking Corporation Ltd.
Yes Bank Ltd.
DBS Bank Ltd.
Axis Bank Ltd.
ICICI Bank Ltd.

Registrar & Share Transfer Agents

M/s. S.K. Computers
34/1A, Sudhir Chatterjee Street
Kolkata 700 006
Tel: (033) 2219 6797/ 4815
E-mail: agarwalskc@rediffmail.com

Registered Office

Fortuna Tower
23-A, Netaji Subhas Road
8th Floor, Kolkata 700 001
Tel: (033) 2230-4363/ 9953
Fax: 91-033- 2230-9051
E-mail: info@himadri.com

Auditors

M/s S. Jaykishan
Chartered Accountants
12 Ho-Chi Minh Sarani
Suite No. 2D- 2F, 2nd Floor
Kolkata 700 071

Company Secretary & Compliance officer

Mr. B.L. Sharma

Solicitors & Advocates

M/s Sandip Agarwal & Co.
10 Old Post Office Street
Gr. Floor, Room No. 10
Kolkata 700 001

Works

Unit number 1
58 N.S. Road, Liluah, Howrah (W.B.)

Unit number 2
27B Gadadhar Bhatt Road, Liluah, Howrah (W.B.)

Mahistikry unit
Mahistikry, P.S. – Haripal
District Hooghly (W.B.)

Visakhapatnam unit
Ancillary Industrial Estate
Visakhapatnam (A.P.)

Korba unit
Jhagrah, Rajgamar Colliery
Korba (Chhattishgarh)

Vapi unit
GIDC 1st Phase, Vapi (Gujarat)

Windmill units

1. Village Amkhel: Taluka- Sakri, District Dhule, Maharashtra
2. Village Titane, Taluka- Sakri, District Dhule, Maharashtra

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