

Auditors' Report

To the Board of Directors of Clariant Chemicals (India) Limited

1. We have audited the attached Consolidated Balance Sheet of Clariant Chemicals (India) Limited ("the Company") and its subsidiary (the Company and its subsidiary constitute "the Group") as at 31st December, 2010 the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
4. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company and its aforesaid subsidiary and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st December, 2010;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 117365W)

A. C. Khanna
Partner
(Membership No.: 17814)

Mumbai, 24th February, 2011

Consolidated Balance Sheet

as at 31st December, 2010

	Schedule	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	2666.07	2666.07
Reserves and surplus	2	34008.05	32061.13
		36674.12	34727.20
Loan funds			
Unsecured loans	3	105.28	204.78
		105.28	204.78
		36779.40	34931.98
APPLICATION OF FUNDS			
Fixed assets			
	4		
Gross block		34623.62	36017.85
Less : Accumulated depreciation and impairment		20290.48	21301.71
Net block		14333.14	14716.14
Capital work-in-progress and advances, etc.		2045.56	606.22
		16378.70	15322.36
Fixed assets held for disposal (See note 15, Schedule 17)		378.70	792.34
Investments	5	18858.91	12124.95
Deferred tax asset - Net (See note 6, Schedule 17)		108.08	275.72
Current assets, loans and advances			
Inventories	6	9184.12	7764.24
Sundry debtors	7	12679.55	14489.15
Cash and bank balances	8	2106.60	1713.01
Loans and advances	9	7201.69	5648.70
		31171.96	29615.10
Less : Current liabilities and provisions			
Liabilities	10	21826.85	16614.62
Provisions	11	8290.10	6583.87
		30116.95	23198.49
Net current assets		1055.01	6416.61
		36779.40	34931.98
Notes on consolidated balance sheet and profit and loss account	17		

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

A.C. Khanna
Partner

Mumbai, 24th February, 2011

For and on behalf of the Board,

R. A. Shah Chairman

P. Palm Vice-Chairman & Managing Director

B. S. Mehta }
H. Meier } Directors

B. L. Gaggar Director Finance & Company Secretary

Mumbai, 24th February, 2011

Consolidated Profit and Loss Account

for the year ended 31st December, 2010

	Schedule	2010 ₹ Lakhs	2009 ₹ Lakhs
INCOME			
Sales - Gross		104162.60	97624.37
Less: Excise duty		6034.73	5191.73
Sales - Net		98127.87	92432.64
Other income	12	3141.56	2663.17
		101269.43	95095.81
EXPENDITURE			
Cost of materials	13	58840.52	54558.89
Personnel cost	14	6712.77	6158.71
Interest (Net)	15	23.20	17.12
Depreciation/Amortisation	4	1760.82	1965.18
Impairment of fixed assets	4	—	136.98
Other expenditure	16	16873.33	14340.70
		84210.64	77177.58
Less: Service charges recovered		237.18	790.80
		83973.46	76386.78
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAXATION		17295.97	18709.03
Exceptional items (See note 12, Schedule 17)		729.47	2450.46
PROFIT AFTER EXCEPTIONAL ITEMS AND BEFORE TAXATION		16566.50	16258.57
Provision for taxation			
Current tax		5143.55	5958.00
Deferred tax		167.64	(530.66)
Fringe benefit tax		—	39.00
(Excess)/Short provision for taxation in respect of earlier years		(2.78)	30.77
PROFIT AFTER TAXATION		11258.09	10761.46
Balance brought forward from previous year		2979.62	1097.45
AVAILABLE FOR APPROPRIATION		14237.71	11858.91
APPROPRIATED AS FOLLOWS			
General reserve		1124.15	1081.36
Interim dividend		2666.07	2666.07
Proposed dividend (Final)		5332.15	3999.11
Corporate tax on dividend (Interim & Final)		1328.40	1132.75
Corporate tax on dividend of previous period		(15.45)	—
Balance carried to the balance sheet		3802.39	2979.62
		14237.71	11858.91
Notes on consolidated balance sheet and profit and loss account		17	
Basic and Diluted earnings per share (in ₹) (See note 8, Schedule 17)		42.23	40.36
Face value per share (in ₹)		10.00	10.00

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

A.C. Khanna
Partner

Mumbai, 24th February, 2011

For and on behalf of the Board,

R. A. Shah Chairman

P. Palm Vice-Chairman & Managing Director

B. S. Mehta }
H. Meier } Directors

B. L. Gaggar Director Finance & Company Secretary

Mumbai, 24th February, 2011

Consolidated Cash Flow Statement for the year ended 31st December, 2010

	2010 ₹ Lakhs	2009 ₹ Lakhs
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit after exceptional items and before taxation	16566.50	16258.57
<i>Adjustments for :</i>		
Depreciation/Amortisation	1760.82	1965.18
Impairment of fixed assets	—	136.98
Unrealised foreign exchange (gain)/loss (Net)	(5.89)	(32.54)
Interest income	(92.96)	(83.20)
Dividend income	(677.96)	(407.90)
Loss/(profit) on sale of assets (Net)	(512.16)	(80.31)
Loss/(profit) on sale of investments (Net)	(13.51)	(0.21)
Provision for doubtful debts/advances (Net)	(94.79)	29.39
Provision for leave encashment	36.51	(126.69)
Provision for ex-gratia gratuity	(4.48)	(15.21)
Provision for gratuity	345.31	(186.30)
Interest expenses	116.16	100.32
Assets written-off	206.89	100.69
Operating profit before working capital changes	17630.44	17658.77
<i>Adjustments for :</i>		
Trade and other receivables	1693.81	(1131.92)
Inventories	(1419.88)	2867.31
Trade, other payables and provisions	5198.42	3695.79
Cash generated from operations	23102.79	23089.95
Direct taxes paid-(Net of refunds)	(6709.91)	(6055.45)
Net Cash from operating activities	16392.88	17034.50
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(3575.91)	(1024.62)
Sale of fixed assets	1477.66	138.31
Purchase of investments	(181779.90)	(95164.44)
Sale of investments	175059.45	88499.17
Interest received	92.96	83.20
Dividend received	677.96	407.90
Net Cash used in investing activities	(8047.78)	(7060.48)

	2010 ₹ Lakhs	2009 ₹ Lakhs
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Repayment of borrowings	(99.50)	(104.29)
Interest paid	(111.38)	(93.78)
Dividend/dividend tax paid	(7740.63)	(8984.89)
Net Cash used in financing activities	(7951.51)	(9182.96)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	393.59	791.06
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR	1713.01	921.95
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR (See note 3) (Refer Schedule 8)	2106.60	1713.01

Notes:

- The Cash flow has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash flow statement notified by the Companies (Accounting Standards) Rules, 2006.
- Direct taxes paid are treated as arising from operating activities and are not bifurcated between investing and financing activities.
- Cash and cash equivalents at the end of the year include current account balances with banks of ₹ 253.20 lakhs (Previous Year : ₹ 221.71 lakhs) which are restricted in use on account of unclaimed dividend/fixed deposit/interest on fixed deposit.
- Figures for the previous year have been regrouped wherever necessary to conform to the current year's classification.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

A.C. Khanna
Partner

Mumbai, 24th February, 2011

For and on behalf of the Board,

R. A. Shah Chairman

P. Palm Vice-Chairman & Managing Director

B. S. Mehta }
H. Meier } Directors

B. L. Gaggar Director Finance & Company Secretary

Mumbai, 24th February, 2011

Schedules

forming part of the Consolidated Balance Sheet

SCHEDULE 1 : SHARE CAPITAL	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Authorised		
30000000 equity shares of ₹ 10/- each	3000.00	3000.00
Issued and subscribed		
26660745 equity shares of ₹ 10/- each fully paid	2666.07	2666.07

Notes:

Of the above :

- 15010745 equity shares issued as fully paid up pursuant to a contract for a consideration other than cash.
- 8167080 equity shares are held by EBITO Chemiebetteilungen AG.
6075000 equity shares are held by Clariant International AG.
2660000 equity shares are held by Clariant Participations AG.
The ultimate holding company being Clariant AG, Switzerland.
- 6690610 equity shares were allotted as fully paid up bonus shares by capitalisation of ₹ 669.06 lakhs from general reserve.

SCHEDULE 2 : RESERVES AND SURPLUS	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Capital reserve		
As per last Balance sheet	730.11	730.11
Capital redemption reserve		
As per last Balance sheet	137.50	137.50
Securities premium account		
As per last Balance sheet	3545.65	3545.65
Investment allowance reserve		
As per last Balance sheet	—	20.00
Less: Transfer to general reserve	—	20.00
	—	—
General reserve		
As per last Balance sheet	24668.25	23566.89
Add : Transfer from Investment allowance reserve	—	20.00
Transfer from Profit and loss account	1124.15	1081.36
	25792.40	24668.25
Profit and loss account	3802.39	2979.62
	34008.05	32061.13

SCHEDULE 3 : UNSECURED LOANS	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
From others:		
Interest-free sales tax deferral scheme granted by State Industries Promotion Corporation of Tamil Nadu Limited (Repayable within one year ₹ 85.09; Previous Year: ₹ 99.50 lakhs)	105.28	204.78
	105.28	204.78

SCHEDULE 4 : FIXED ASSETS

₹ Lakhs

	GROSS BLOCK			DEPRECIATION / AMORTISATION / IMPAIRMENT					NET BLOCK		
	As at 31-12-09	Additions/ Adjustments	Deductions/ Adjustments	As at 31-12-10	As at 31-12-09	Deductions/ Adjustments	For the year	Impairment (See note 2)	As at 31-12-10	As at 31-12-10	As at 31-12-09
Intangible Assets											
Goodwill on Consolidation	225.44	—	—	225.44	—	—	—	—	—	225.44	225.44
Tangible Assets											
Land freehold	153.86	—	7.60	146.26	—	—	—	—	—	146.26	153.86
Land leasehold	14.88	466.42	—	481.30	4.66	—	4.25	—	8.91	472.39	10.22
Buildings	7186.83	173.49	949.21	6411.11	2626.13	569.55	175.59	—	2232.17	4178.94	4560.70
Plant, machinery, equipment etc.	25632.27	1256.73	1980.18	24908.82	16562.78	1662.05	1428.05	—	16328.78	8580.04	9069.49
Furniture, fixtures and office appliances	2218.09	117.43	407.44	1928.08	1626.40	354.53	114.64	—	1386.51	541.57	591.69
Vehicles	586.48	122.50	186.37	522.61	481.74	185.92	38.29	—	334.11	188.50	104.74
Total	36017.85	2136.57	3530.80	34623.62	21301.71	2772.05	1760.82	—	20290.48	14333.14	
Previous year	39816.46	1490.94	5289.55	36017.85	23538.07	4338.52	1965.18	136.98	21301.71		14716.14
Capital work-in-progress										1882.48	550.63
Advances against capital orders										163.08	55.59
										2045.56	606.22
										16378.70	15322.36

Notes:

- Buildings include ₹ 950/- (Previous year : ₹ 950/-) being the cost of shares in co-operative housing societies.
- In accordance with the provisions of the Accounting Standard 28 on Impairment of Assets notified by the Companies (Accounting Standards) Rules 2006, during the previous year, the Company had identified certain fixed assets that were impaired mainly on account of economic performance and viability of such assets which did not have any value in use. Accordingly during the previous year an impairment loss of ₹ 136.98 lakhs in respect of Dyes and Specialty Chemicals segment (₹ 12.47 lakhs) and Intermediates and Colours segment (₹ 124.51 lakhs) had been recognised in the profit and loss account.

SCHEDULE 5 : INVESTMENTS (AT COST)31-12-10
₹ Lakhs31-12-09
₹ Lakhs**Non Trade - Unquoted****Current****In fully paid units of ₹ 10/- each**

6903971 (Previous Year : 9695701) JM Money Manager Fund-Super Plan -Dividend-Daily	691.21	970.08
8999392 (Previous Year : Nil) Reliance Monthly Interval Fund - Series II - Institutional Dividend Plan	900.09	—
9498599 (Previous Year : Nil) Reliance Monthly Interval Fund - Series I - Institutional Dividend Plan	950.10	—
5014035 (Previous Year : Nil) TATA Fixed Income Portfolio Fund Scheme A2 Institutional Monthly Dividend	501.45	—
9501200 (Previous Year : Nil) TATA Fixed Income Portfolio Fund Scheme A3 Institutional Monthly Dividend	950.12	—
7388640 (Previous Year : Nil) DWS Treasury Fund Cash -Institutional Plan -Daily Dividend - reinvest	742.54	—
3000000 (Previous Year : Nil) ICICI Prudential Interval Fund I - Monthly Interval Plan A Institution	300.00	—
9753024 (Previous Year : Nil) JM High Liquidity Fund - Super Institutional Plan - Daily Dividend	976.91	—
9782457 (Previous Year : Nil) Fidelity Ultra Short term Debt Fund Super Institutional - Daily Dividend	978.73	—
9543201 (Previous Year : Nil) IDFC Ultra Short Term Fund - Daily Dividend	955.52	—
9509940 (Previous Year : Nil) LIC MF Interval Fund - Series 1 - Monthly Dividend Plan	950.99	—
2035977 (Previous Year : Nil) Religare Ultra Short term Fund - Institutional Daily Dividend	203.95	—
7687665 (Previous Year : Nil) Canara Robeco Treasury Advantage Super Instt Daily Div Reinv Fund	953.82	—
9544914 (Previous Year : Nil) Sundaram Ultra ST Fund Inst.Div.rein.Daily	958.02	—
9356287 (Previous Year : Nil) L&T Freedom Income STP Inst - Daily Dividend Reinvestment Plan	950.15	—
398454 (Previous Year : Nil) Canara Robeco Floating Rate Short term Dividend Fund	56.51	—
9435078 (Previous Year : 4742864) HDFC Floating Rate Income Fund - Short Term Plan-Whole Sale Option -Dividend Reinvest-Daily	951.14	478.12
9501131 (Previous Year : Nil) UTI Fixed income Interval Fund - Monthly Interval Plan Series - I - Institutional Dividend Plan - Payout	950.11	—
9528528 (Previous Year : Nil) UTI Fixed income Interval Fund - Monthly Interval Plan - II - Institutional Dividend Plan - Payout	952.85	—
9621653 (Previous Year : Nil) Templeton India Ultra Short Bond fund Super Institutional Plan - Daily Dividend Reinvestment	963.28	—

SCHEDULE 5 : INVESTMENTS (AT COST) (contd.)	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
In fully paid units of ₹ 10/- each (contd.)		
9510531 (Previous Year : Nil) IDFC Money Manager fund - TP - Super Inst Plan C - Daily Div	951.20	—
Nil (Previous Year : 9776175) DWS Ultra Short Term Fund -Dividend-Daily	—	979.37
Nil (Previous Year : 9019717) DWS Cash Opportunity Fund -Dividend-Daily	—	904.16
Nil (Previous Year : 4038543) IDFC Money Manager Fund -Dividend-Daily	—	403.91
Nil (Previous Year : 9471776) LIC MF Income Plus Fund -Dividend-Daily	—	947.18
Nil (Previous Year : 9197118) LIC MF Saving Plus Fund -Dividend-Daily	—	919.71
Nil (Previous Year : 9847865) LIC MF Floater Fund -Dividend-Daily	—	984.80
Nil (Previous Year : 9825217) Birla Sun Life Saving Fund - Daily Dividend	—	983.19
Nil (Previous Year : 8883589) HDFC Treasury Advantage Fund-Whole Sale Fund - Dividend-Daily	—	891.16
In fully paid units of ₹ 100/- each		
Nil (Previous Year : 863340) ICICI Prudential Flexible Income Premium Plan Fund - Daily Dividend	—	912.85
Nil (Previous Year : 957923) ICICI Prudential Floating Rate Plan D - Daily Dividend	—	958.12
In fully paid units of ₹ 1000/- each		
96745 (Previous Year : Nil) Taurus Ultra Short Term Bond fund - Super Insti Daily Dividend Plan	968.94	—
50040 (Previous Year : Nil) Axis Liquid fund - Institutional Daily Dividend Reinvestment	500.41	—
60046 (Previous Year : Nil) Templeton India Treasury management Account Super Institutional Plan - Daily Dividend Reinvestment	600.87	—
Nil (Previous Year : 91249) Reliance Money Manager Fund - Institutional Plan - Daily Dividend	—	913.53
Nil (Previous Year : 65341) DSP BlackRock Floating Rate Fund - Institutional Plan - Daily Dividend	—	653.77
Nil (Previous Year : 22483) UTI Floating Rate Fund STP - Daily Dividend	—	225.00
Total Current	18858.91	12124.95
Total Investments - Unquoted	18858.91	12124.95

SCHEDULE 6 : INVENTORIES	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
At lower of cost and net realisable value (As certified by the Management)		
Stores and spare parts	173.84	193.82
Raw materials	3049.63	2161.07
Packing materials	92.77	104.65
Finished goods	4912.94	4466.55
Work-in-progress	954.94	838.15
	9184.12	7764.24

SCHEDULE 7 : SUNDRY DEBTORS	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Secured (Considered good)		
Over six months	—	5.68
Other debts	1807.09	1570.88
	1807.09	1576.56
Unsecured (Considered good, unless otherwise stated)		
Over six months (Including doubtful debts ₹ 172.88 lakhs ; Previous year : ₹ 246.31 lakhs)	232.47	330.84
Other debts	10812.87	12828.06
	11045.34	13158.90
Less: Provision for doubtful debts	172.88	246.31
	12679.55	14489.15

SCHEDULE 8 : CASH AND BANK BALANCES	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Cash on hand	1.55	4.19
Cheques on hand	64.87	49.27
With scheduled banks:		
On current accounts	1748.83	1027.21
On fixed deposit accounts	291.35	632.34
	2040.18	1659.55
	2106.60	1713.01

SCHEDULE 9 : LOANS AND ADVANCES	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
(Unsecured - Considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	3551.12	3521.69
Less : Provision for doubtful advances	42.61	63.97
	3508.51	3457.72
VAT set off admissible	132.65	104.89
Advance payment of Income tax (Net of Provision for taxation)	3128.43	1769.39
Balances with customs and excise on current account	432.10	316.70
	7201.69	5648.70

SCHEDULE 10 : CURRENT LIABILITIES	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Sundry creditors		
Due to micro enterprises and small enterprises	316.11	361.48
Due to others	16403.49	12795.88
	16719.60	13157.36
Deposits	1575.11	1863.03
Unpaid dividends*	253.16	221.61
Unclaimed fixed deposits*	—	0.06
Unpaid interest on matured fixed deposits*	0.04	0.04
Other liabilities	3278.94	1372.52
	21826.85	16614.62

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

SCHEDULE 11 : PROVISIONS	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Employee benefits:		
Leave encashment	401.53	365.02
Gratuity	546.04	200.73
Ex-gratia gratuity	64.73	69.21
Others:		
Provision for taxation (Net of advance payment of Income tax)	1060.05	1270.15
Proposed dividend (Final)	5332.15	3999.11
Corporate tax on proposed dividend (Final)	885.60	679.65
	8290.10	6583.87

Schedules

forming part of the Consolidated Profit and Loss Account

SCHEDULE 12 : OTHER INCOME	2010 ₹ Lakhs	2009 ₹ Lakhs
Dividend on current non-trade investments	677.96	407.90
Export incentives	573.83	420.13
Profit on sale of fixed assets (Net)	45.88	80.31
Cash discounts	34.58	39.40
Rental income	204.39	398.25
Indenting commission	773.67	589.29
Provision for doubtful debts written back (Net)	94.79	—
Profit on sale of current investments (Net)	13.51	0.21
Miscellaneous	722.95	727.68
	3141.56	2663.17

SCHEDULE 13 : COST OF MATERIALS	2010 ₹ Lakhs	2009 ₹ Lakhs
Raw materials consumed	43370.96	38507.15
Packing materials consumed	2734.69	2279.01
Purchases of finished goods	13298.05	12133.72
(Increase)/Decrease in stocks of finished goods and work-in-progress :		
Opening stock		
Finished goods	4466.55	5740.02
Work-in-progress	838.15	1203.69
	5304.70	6943.71
Less: Closing stock		
Finished goods	4912.94	4466.55
Work-in-progress	954.94	838.15
	5867.88	5304.70
	(563.18)	1639.01
	58840.52	54558.89

SCHEDULE 14 : PERSONNEL COST	2010 ₹ Lakhs	2009 ₹ Lakhs
Salaries, wages, bonus, etc.	4867.33	4677.67
Contribution/Provision for provident fund, superannuation scheme, gratuity fund, etc.	1011.33	551.95
Welfare expenses	834.11	929.09
	6712.77	6158.71

SCHEDULE 15 : INTEREST (NET)	2010	2009
	₹ Lakhs	₹ Lakhs
Interest Paid		
Others	116.16	100.32
Less : Interest received (Gross) :		
Others (Tax deducted at source ₹ 9.53 Lakhs; Previous year : ₹ 12.69 Lakhs)	92.96	83.20
	23.20	17.12

SCHEDULE 16 : OTHER EXPENDITURE	2010	2009
	₹ Lakhs	₹ Lakhs
Stores and spare parts etc. consumed	553.23	513.59
Repairs and maintenance :		
Plant and machinery	966.42	712.77
Buildings	254.82	218.64
Others	225.91	164.76
Power and fuel	3653.20	4595.77
Rent (including lease payments) (See note 9, Schedule 17)	567.73	555.90
Rates and taxes (including water charges)	469.91	519.85
Insurance	103.04	69.40
Clearing, forwarding and transport	2104.33	1337.22
Travelling and conveyance	1247.52	881.57
Commission (See note 14, Schedule 17)	127.61	179.83
Cash discount	2.55	11.76
Other discounts on sales (See note 14, Schedule 17)	816.60	684.65
Assets written-off	22.61	100.69
Provision for doubtful debts/advances (Net)	—	29.39
Excise duty	118.97	(322.78)
Exchange loss (Net)	61.48	168.57
Legal and consultancy	1410.41	174.62
Miscellaneous (See note 11, Schedule 17)	4166.99	3744.50
	16873.33	14340.70

Notes to the Consolidated Financial Statements

SCHEDULE 17 : Notes on the Consolidated Balance Sheet and Profit and Loss Account for the year ended 31st December, 2010

1. Significant Accounting Policies

BASIS OF PREPARATION

The Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements notified by Companies (Accounting Standards) Rules, 2006. The Consolidated Financial Statements comprise the financial statements of Clariant Chemicals (India) Limited and its subsidiary viz. Chemtreat Composites India Private Limited (voting power-100%). The said Company became subsidiary on and from February 13, 2006. This subsidiary company is incorporated in India.

The financial statements are prepared at historical cost on the accrual basis of accounting and in accordance with the standards on accounting notified by the Companies (Accounting Standards) Rules, 2006 and referred to in Section 211(3C) of the Companies Act, 1956.

The significant accounting policies are as follows:

I. Revenue Recognition

The Company recognises sale of goods on transfer of significant risks and rewards of ownership of the goods to the buyer. Sales are net of excise duty, sales tax and trade discounts, wherever applicable.

Dividend income on investments is accounted for when the right to receive the payment is established.

II. Excise Duty

Excise duty payable on products is accounted for at the time of despatch of goods from the factories but is accrued for stocks held at the year end.

Excise Duty related to the difference between the closing stock and opening stock of finished goods has been recognised separately in the profit and loss account under schedule of 'Other Expenses'.

III. Research and Development

Revenue expenditure on research and development is written off in the profit and loss account in the year in which it is incurred. Capital expenditure on research and development is treated in the same way as expenditure on fixed assets.

IV. Employee Benefits

(a) Short term employee benefit obligations are estimated and provided for.

(b) Post employment benefits and other long term employee benefits:

Defined contribution plans :

Company's contribution to provident fund, superannuation fund, employee state insurance and other funds are determined under the relevant schemes and/or statute and charged to revenue.

Defined benefit plans and compensated absences :

Company's liability towards gratuity, ex-gratia gratuity and compensated absences are actuarially determined at each balance sheet date using the projected unit credit method. Actuarial gains and losses are recognised in revenue.

V. Voluntary Retirement Scheme

Expenditure incurred on voluntary retirement scheme is charged to revenue in the year in which it is incurred.

VI. Fixed Assets and Depreciation/Amortisation

(a) All fixed assets are stated at cost less depreciation, wherever applicable. Cost comprises the purchase price and any other attributable cost of bringing the asset to its working condition for its intended use. Borrowing cost relating to funds borrowed for acquisition of qualifying assets for the year upto the date the assets are put to use is included in cost.

(b) The cost of leasehold land is amortised over the period of the lease.

(c) Intangible assets except Goodwill on consolidation are being amortised equally over a period of three years.

(d) Depreciation has been calculated on the straight line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except for :

(i) certain items of furniture, fixture, air conditioners, plant, machinery and equipment on which a depreciation rate of 20% on straight line method is applied,

(ii) Electronic Data Processing (EDP) hardware such as servers on which a depreciation rate of 20% and for other EDP equipments including personal computers and printers on which depreciation rate of 25% on straight line method is applied,

(iii) Motor Cars on which depreciation rate of 25% on straight line method is applied.

(e) Fixed Assets held for disposal are stated at lower of net book value and net realisable value.

VII. Impairment of Assets

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 estimated recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using the weighted average cost of capital. Previously recognised impairment loss is further provided or reversed depending on changes in circumstances.

VIII. Inventories

Inventories are valued at the lower of cost and estimated net realisable value after providing for obsolescence. The cost of inventories is generally arrived at on the following basis :

Raw materials, packing materials, trading items and stores and spares	-	Weighted average cost.
Finished goods and work-in-progress	-	Absorption costing at works cost.

IX. Sundry Debtors/Loans and Advances

Sundry debtors and loans and advances are stated after making adequate provision for doubtful debts / advances.

X. Investments

Long term investments are stated at cost less provision for diminution in value, other than temporary. Current investments are stated at the lower of cost and fair value. Dividends are accounted for when the right to receive the dividend payment is established.

XI. Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

XII. Foreign Currency Translations

- Monetary items denominated in foreign currency are translated at the exchange rate prevailing on the last day of the accounting year. In respect of items covered by forward contracts, the premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract. Any profit or loss arising on cancellation of such a forward exchange contract is recognised as income or expense for the period. Foreign currency transactions are accounted at the rate prevailing on the date of transaction.
- Non monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction.
- Gain or loss arising out of translation/conversion is taken credit for or charged to the Profit and Loss Account.

XIII. Income Tax

Income-tax expense comprises current tax and deferred tax charge or credit. The current tax is determined as the amount of tax payable in respect of the estimated taxable income for the year. The deferred tax charge or credit is recognised using prevailing enacted or substantively enacted tax rates. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Deferred tax assets/liabilities are reviewed at each Balance Sheet date based on developments during the year and available case laws, to reassess realisation/liabilities.

XIV. Contingencies/Provisions

Provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions except in respect of employee benefits are not discounted to its present value and are determined based on best estimate of the expenditure required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying the economic benefit is remote.

2. Segment Information for the year ended 31st December, 2010 (As required by Accounting Standard (AS) - 17 Segment Reporting) :

- The Company is organised into two primary business segments mainly:
 - Intermediates and Colours :**
Includes pigment dyestuffs and their dispersion, Intermediates for dyes, pesticides and pharmaceuticals and masterbatches for plastics and nylon fibers.
 - Dyes and Specialty Chemicals :**
Includes dyestuff synthetic resins, binder materials, auxiliaries and chemicals.

- (b) The secondary segments of the Company are geographical segments mainly:
(i) India
(ii) Outside India
- (c) Segments have been identified and reported taking into account the nature of products and services, the differing risk and returns, the organisation structure, and the internal financial reporting system.
- (d) (i) **Segment Revenue and Results :**
The expenses which are not directly attributable to the business segment are shown as unallocated corporate cost.
- (ii) **Segment Assets and Liabilities :**
Segment assets include all operating assets used by the business segment and consist principally of fixed assets, debtors and inventories. Segment liabilities primarily include creditors and other liabilities.
- (iii) Assets and liabilities that cannot be allocated among the segments are shown as a part of unallocable corporate assets and liabilities respectively.

Information about primary business segments:

	2010 ₹ Lakhs			2009 ₹ Lakhs		
	Inter- mediates & Colours	Dyes and Specialty Chemicals	Total	Inter- mediates & Colours	Dyes and Specialty Chemicals	Total
Revenue (net)						
External sales/ Revenue	35851.48	62276.39	98127.87	39266.95	53165.69	92432.64
Results						
Segment results	6849.82	12044.99	18894.81	8477.04	10642.72	19119.76
Unallocated corporate expenses (net)			(2253.60)			(801.51)
Operating Profits			16641.21			18318.25
Interest Income/Dividend income			770.92			491.10
Interest expenses			(116.16)			(100.32)
Profit Before Exceptional Items and Taxation			17295.97			18709.03
Exceptional items (See note 12, Schedule 17)			(729.47)			(2450.46)
Profit Before Taxation After Exceptional Items			16566.50			16258.57
Current tax/Deferred tax			(5311.19)			(5427.34)
Fringe benefit tax			—			(39.00)
Excess/(Short) provision for taxation in respect of earlier year			2.78			(30.77)
Profit After Tax			11258.09			10761.46
Other Information						
Segment assets	19160.66	21389.84	40550.50	19429.34	20580.09	40009.43
Unallocated corporate assets			26345.85			18121.04
Total Assets			66896.35			58130.47
Segment liabilities	7427.12	11986.47	19413.59	6597.21	9039.17	15636.38
Unallocated corporate liabilities			4590.89			3088.13
Total Liabilities			24004.48			18724.51
Capital expenditure	2519.20	1004.97	3524.17	668.46	341.73	1010.19
Unallocated corporate capital expenditure			51.74			14.43
Total Capital Expenditure			3575.91			1024.62
Depreciation/Amortisation	841.79	867.92	1709.71	1008.70	887.46	1896.16
Impairment of fixed assets			—	124.51	12.47	136.98
Unallocated corporate depreciation			51.11			69.02
Total Depreciation/Amortisation/Impairment			1760.82			2102.16

Information about primary business segments : (Contd.)

	2010 ₹ Lakhs			2009 ₹ Lakhs		
	Inter- mediates & Colours	Dyes and Specialty Chemicals	Total	Inter- mediates & Colours	Dyes and Specialty Chemicals	Total
Non cash expenses other than Depreciation/Amortisation/Impairment	168.72	239.94	408.66	61.72	63.93	125.65
Unallocated corporate non cash expenses other than Depreciation/Amortisation/Impairment			218.40			64.28
Total Non cash expenses other than Depreciation/Amortisation/Impairment			627.06			189.93

Information about secondary segments:

	2010 ₹ Lakhs			2009 ₹ Lakhs		
	India	Outside India	Total	India	Outside India	Total
External Sales	77007.77	21120.10	98127.87	75075.99	17356.65	92432.64
Segment Assets	38349.31	2201.19	40550.50	36364.76	3644.67	40009.43
Additions to Fixed Assets	3524.17	—	3524.17	1010.19	—	1010.19

Notes:

- 1 Total liabilities exclude the following :
 - (a) Proposed dividend ₹ 5332.15 lakhs (₹ 3999.11 lakhs)
 - (b) Corporate tax on proposed dividend ₹ 885.60 lakhs (₹ 679.65 lakhs)

3. Related Party Disclosure as required by AS-18 "Related Party Disclosures" are given below:**Relationship :****a) Holding Company :**

EBITO Chemiebeteteiligungen AG, Clariant International AG and Clariant Participations AG, together hold 63.40% equity shares in the Company, the ultimate holding company being Clariant AG, Switzerland.

b) Other related parties in the Clariant group where common control exists and with whom the company has transactions:**Fellow Subsidiary Companies :**

Clariant (Argentina) SA	Clariant Masterbatch Ibérica S.A.
Clariant (Australia) Pty. Ltd.	Clariant Masterbatches (Deutschland) GmbH
Clariant (Canada) Inc.	Clariant Masterbatches (Italia) S.p.A.
Clariant (China) Ltd.	Clariant Masterbatches (Saudi Arabia) Ltd.
Clariant (Colombia) SA	Clariant Masterbatches (Shanghai) Ltd.
Clariant (Egypt) SAE	Clariant Masterbatches (Thailand) Ltd.
Clariant (Guatemala) SA	Clariant Masterbatches Benelux SA
Clariant (Gulf) FZE	Clariant Masterbatches Huningue
Clariant (Japan) K.K.	Clariant Masterbatches Ireland Limited
Clariant (Korea) Ltd.	Clariant Masterbatches Norden AB
Clariant (Malaysia) Sdn Bhd	Clariant Masterbatches UK Ltd.
Clariant (Maroc) S.A.	Clariant Oil Services UK Ltd
Clariant (Mexico) S.A. de C.V.	Clariant Pigments (Korea) Ltd.
Clariant (Pakistan) Ltd.	Clariant Pigments (Tianjin) Ltd.

b) Other related parties in the Clariant group where common control exists and with whom the company has transactions: (contd.)

Fellow Subsidiary Companies : (contd.)

Clariant (Singapore) Pte. Ltd.	Clariant Prodotti (Italia) S.p.A.
Clariant (Thailand) Ltd.	Clariant Production (France)
Clariant (Tianjin) Ltd.	Clariant Production UK Ltd.
Clariant (Uruguay) SA	Clariant Produkte (Deutschland) GmbH
Clariant Advanced Materials GmbH	Clariant Produkte (Schweiz) AG
Clariant Chemicals (China) Ltd.	Clariant S.A.
Clariant Chemicals (Taiwan) Co., Ltd.	Clariant Southern Africa (Pty.) Ltd.
Clariant Colorquímica (Chile) Ltda.	Clariant Specialty Chemicals (Zhenjiang) Co., Ltd.
Clariant Corporation	Clariant Trading (China) Ltd.
Clariant Export AG	K.J. Quinn
Clariant Ibérica Producción S.A.	PT Clariant Indonesia
Clariant Life Science Molecules (Florida) Inc.	Clariant (Türkiye) Boya ve Kimyevi Maddeler Sanayi ve Ticaret A.S.

c) Key Management Personnel :

P. Palm	:	Vice-Chairman & Managing Director (From 01.01.2010)
H. Meier	:	Vice-Chairman & Managing Director (Upto 31.12.2009)

During the year following transactions were entered into with related parties :

	2010	2009
	₹ Lakhs	₹ Lakhs
(i) Holding Company and Fellow Subsidiaries :		
Holding Company :		
Transactions during the year :		
Clariant International AG		
Sales of goods	143.74	1501.15
Purchase of goods	9046.35	9234.75
Services rendered	473.52	377.62
Services received	811.22	699.34
Dividend paid	1518.75	1761.75
Expenses recovered	6.84	1.51
EBITO Chemiebeteteiligungen AG		
Dividend Paid	2041.77	2368.46
Clariant Participations AG		
Dividend Paid	665.00	771.40
Balances outstanding as at the year end :		
Amount payable	1640.13	1142.51
Amount receivable	175.60	449.12
Fellow Subsidiaries :		
Transactions during the year :		
Sales of goods		
Clariant Produkte (Deutschland) GmbH	4294.64	1419.66
Clariant Corporation	2100.95	1239.30
Clariant (China) Ltd.	4186.57	2895.33
PT Clariant Indonesia	1027.67	1170.42
Others	5755.48	4474.85

During the year following transactions were entered into with related parties : (Contd.)

	2010 ₹ Lakhs	2009 ₹ Lakhs
Fellow Subsidiaries : (contd.)		
Purchase of goods		
Clariant (Tianjin) Ltd.	640.97	51.95
Clariant (China) Ltd.	1276.94	771.38
Clariant Corporation	53.08	44.82
PT Clariant Indonesia	280.46	113.51
Others	509.73	372.78
Purchase of capital goods		
Clariant Masterbatches (Italia) S.p.A.	11.18	10.00
Clariant Masterbatches (Deutschland) GmbH	—	5.27
Clariant Production UK Ltd.	—	2.97
Sale of capital goods		
Clariant Produkte (Deutschland) GmbH	—	50.47
Services rendered and others		
Clariant (China) Ltd.	15.47	6.14
Clariant Masterbatches (Thailand) Ltd.	9.38	6.24
Clariant Produkte (Schweiz) AG	13.63	—
Clariant Export AG	237.38	308.38
Clariant Produkte (Deutschland) GmbH	—	0.54
Others	22.23	28.14
Expenses recovered		
Clariant (Singapore) Pte Ltd	0.06	0.05
Clariant (Thailand) Ltd.	0.15	—
Clariant Produkte (Deutschland) GmbH	0.15	—
Clariant Corporation	0.14	—
Clariant Chemicals (China) Ltd	0.35	—
Pt Clariant Indonesia	—	0.22
Others	0.11	—
Services received and others		
PT Clariant Indonesia	16.00	18.49
Clariant (Singapore) Pte. Ltd.	30.24	20.67
Clariant Southern Africa (Pty.) Ltd.	2.04	27.35
Clariant (Gulf) FZE	12.75	11.37
Others	13.01	16.55
Expenses reimbursed		
Clariant (China) Ltd.	0.58	—
PT Clariant Indonesia	—	0.76
Clariant (Malaysia) Sdn Bhd	—	1.63
Balances outstanding as at the year end :		
Amount payable	444.18	424.20
Amount receivable	2609.21	2476.97
(ii) Key Management Personnel :		
Remuneration	169.01	217.09
Payable balance	26.75	67.58

4. Contingent liabilities not provided for :

	31-12-2010 ₹ Lakhs	31-12-2009 ₹ Lakhs
I (a) in respect of income tax matters decided against the Company, in respect of which the Company is in further appeal decided in favour of the Company against which the department is in appeal	1893.82 14.78	1458.40 14.78
(b) in respect of sales tax matters	2440.58	578.58
(c) in respect of excise matters	615.26	448.03
(d) in respect of bills of exchange discounted with banks [since realised ₹ 874.44 lakhs (₹ 778.63 lakhs)]	1138.96	1119.58
(e) Other matters in dispute	2.25	2.25
(f) Disputed labour matters - Amount not ascertained.		
In respect of items (a) to (c), (e) & (f) future cash outflows in respect of contingent liabilities is determinable only on receipt of judgements pending at various forums/authorities.		
II On 15th February 2005, the Company had received an order of the Tahsildar, Thane demanding ₹ 120.70 lakhs for the lease of land to Thane Municipal Corporation, Fire Brigade and Maharashtra State Electricity Board without obtaining prior permission in writing against which the Company had filed a writ petition on 23rd February 2005 before the Bombay High Court. The Hon'ble High Court has granted interim stay in terms of the petition on 14th July 2005.		

	31-12-2010 ₹ Lakhs	31-12-2009 ₹ Lakhs
5. Estimated amount of contracts remaining to be executed on capital account and not provided for	856.40	179.15

6. Deferred Taxes:

The major components of deferred tax assets and deferred tax liabilities are set out below:

	31-12-2010 ₹ Lakhs	31-12-2009 ₹ Lakhs
Deferred Tax Assets		
(a) Provision for doubtful debts	71.59	105.50
(b) Provision for retirement benefits	336.29	215.89
(c) Expenses allowable for tax purposes when paid	52.31	53.54
(d) Integration expenses	—	15.74
(e) Payment/Provision for voluntary retirement scheme	979.04	1184.64
	1439.23	1575.31
Deferred Tax Liabilities		
Depreciation/Amortisation/Impairment	(1331.15)	(1299.59)
Deferred Tax Assets/(Liabilities) - Net	108.08	275.72

7. Amount paid/payable by the Company to Directors (including Managing Director) as remuneration for services rendered in any capacity :

	2010 ₹ Lakhs	2009 ₹ Lakhs
Directors' sitting fees	1.35	1.45
Salaries	130.57	137.76
Commission	36.75	36.75
Compensation for loss of office	—	40.83
Provident fund	—	11.35
Other perquisites and benefits in cash or in kind	11.69	0.40
	#180.36	228.54

Includes ₹ 21.70 lakhs subject to shareholders' approval

8. Earnings per share :

	2010 ₹ Lakhs	2009 ₹ Lakhs
(a) Net profit after taxation	11258.09	10761.46
(b) Number of equity shares outstanding	26660745	26660745
(c) Basic and Diluted earnings per share (In ₹)	42.23	40.36
(d) Face value per share (In ₹)	10.00	10.00

9. Assets taken on lease on or after 1st April, 2001 :

	2010 ₹ Lakhs	2009 ₹ Lakhs
(a) In respect of operating leases, where lease agreements have been formally entered into, lease payments recognised in the profit and loss account for the year are as follows. Office premises, vehicles and computers	392.71	382.43
(b) There are no restrictions such as those concerning dividends, additional debt and further leasing, imposed by the lease agreements entered into by the Company.		
(c) Contingent rent payments in respect of vehicles are dependent upon the excess of actual usage, if any, over stipulated usage.		
(d) The total of future minimum lease payments under non-cancellable operating leases are as follows:		
For a period not later than one year	311.66	285.05
For a period later than one year and not later than five years	420.25	254.37
	731.91	539.42

10. Expenditure on Research and Development :

	2010 ₹ Lakhs	2009 ₹ Lakhs
(a) Capital expenditure	—	3.36
(b) Revenue expenditure charged to profit and loss account	37.75	224.20
	37.75	227.56

11. Miscellaneous Expenses in Schedule 16 : Other expenditure include :

	2010 ₹ Lakhs	2009 ₹ Lakhs
Auditors' remuneration and expenses : (Excluding Service tax)		
(a) Audit fees	26.75	25.00
(b) Company law matters	0.15	0.15
(c) Taxation services	—	0.23
(d) Other services	21.25	31.20
(e) Out-of-pocket expenses	0.50	0.45
	48.65	57.03

12. Exceptional items in Profit & Loss Account include:

	2010 ₹ Lakhs	2009 ₹ Lakhs
Termination benefit costs	1056.47	2810.46
Income from sale of flexible laminating adhesives business	—	(360.00)
Income from sale of diketene and intermediate business	(532.65)	—
Write off/loss on sale of Fixed assets due to restructuring	205.65	—
	729.47	2450.46

13. Employee Benefits :

	2010 ₹ Lakhs		2009 ₹ Lakhs	
	Funded	Unfunded	Funded	Unfunded
(a) Defined benefit Plans - As per Actuarial valuation as on 31st December, 2010:				
Gratuity				
(i) Expenses recognised in the statement of Profit and Loss Account for the year				
1. Current service cost	116.72	0.85	181.10	4.17
2. Interest cost	187.38	5.54	178.36	6.86
3. Expected return on plan assets	(171.32)	—	(204.25)	—
4. Net actuarial(gain)/loss recognised during the year	293.60	2.70	(133.86)	4.54
5. Effect of curtailments or settlements	78.41	—	—	—
6. Expense /(Income) recognised in profit & loss account	504.79	9.09	21.35	15.57
[Gratuity expense / (income) have been recognised in Contribution / Provision for provident fund, superannuation scheme, gratuity fund etc in "Personnel Cost" under Schedule 14]				
(ii) Actual return on plan assets for the year				
1. Expected return on plan assets	171.32	—	204.25	—
2. Actuarial gain/(loss) on plan assets	(0.91)	—	(38.87)	—
3. Actual return on plan assets	170.41	—	165.38	—
(iii) Net Asset/(Liability) recognised in the Balance Sheet as at the year end				
1. Present value of the defined benefit obligation	2505.53	64.73	2342.20	69.21
2. Fair value of plan assets	1959.49	—	2141.47	—
3. Net Asset/(Liability) recognised in the balance sheet	(546.04)	(64.73)	(200.73)	(69.21)
(iv) Change in defined benefit obligation during the year				
1. Present value of obligation at the beginning of the year	2342.20	69.21	2940.12	84.42
2. Current service cost	116.72	0.85	181.10	4.17
3. Interest cost	187.38	5.54	178.36	6.86
4. Benefits Paid	(511.87)	(13.57)	(784.65)	(30.78)
5. Effect of curtailments or settlements	78.41	—	—	—
6. Actuarial (gain)/loss on obligation	292.69	2.70	(172.73)	4.54
7. Present value of obligation as at the end of the year	2505.53	64.73	2342.20	69.21
(v) Changes in fair value of plan asset during the year				
1. Fair value of plan assets as at the beginning of the year	2141.47	—	2553.09	—
2. Expected return on plan assets	171.32	—	204.25	—
3. Contributions made	159.48	—	207.65	—
4. Benefits paid	(511.87)	—	(784.65)	—
5. Actuarial gain/(loss) on plan assets	(0.91)	—	(38.87)	—
6. Fair value of plan assets as at the end of the year	1959.49	—	2141.47	—
(vi) Major categories of Plan Assets as a percentage of total plan assets				
1. Central government securities	32.20%	—	29.64%	—
2. State government securities	13.15%	—	12.32%	—
3. Private sector bonds	29.05%	—	20.90%	—
4. Special deposit scheme	—	—	25.54%	—
5. Cash at bank	1.71%	—	1.15%	—
6. Investment in insurance companies	27.58%	—	22.06%	—
7. Others	(3.69%)	—	(11.61%)	—
(vii) Actuarial assumptions				
1. Discount rate	8.25%	8.25%	8.0%	8.0%
2. Expected Rate of return on plan assets	8.0%	—	8.0%	—
3. Salary escalation	4.0%-6.0%	4.0%-6.0%	4.0%-6.0%	4.0%-6.0%
(viii) Experience adjustments				
1. Experience adjustments on plan assets	(0.91)	—	(38.87)	—
2. Experience adjustments on plan liabilities	348.52	4.29	(49.77)	4.54

13. Employee Benefits : (Contd.)

	2010 ₹ Lakhs	2009 ₹ Lakhs
(a) Defined benefit Plans - As per Actuarial valuation as on 31st December, 2010 : (Contd.)		
Other long term benefits		
The defined benefit obligations which are provided for but not funded are as under:		
Compensated Absence/Leave Salary	401.53	365.02
(b) Gratuity is administered through duly constituted and approved independent trusts and also through Group gratuity scheme with Life Insurance Corporation of India		
(c) Future salary increases considered in actuarial valuation take in to account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market		
(d) Basis used to determine expected rate of return on plan assets: The expected rate of return on plan assets is based on market expectation, at the beginning of the year, for returns over the entire life of the related obligation.		
(e) Accounting standard 15 "Employee Benefits" requires the disclosure of experience adjustments for past four years, however, the information is given only for the current and previous year.		
(f) During the year the Company has recognised the following amounts in the Profit & Loss account in Schedule 14 :		
Salaries, wages, bonus includes compensated absences	138.00	49.17
Contribution/Provision for provident fund, superannuation scheme, gratuity fund etc includes :		
Provident Fund & Family Pension	253.46	275.30
Superannuation Fund	242.65	239.24
Gratuity Fund	513.88	36.92
Other funds	1.34	0.49

14. Commission and Other discounts on sales included in "Schedule 16: Other Expenditure" are net of reversal of excess provision made in earlier years of ₹ 77.07 lakhs and ₹ 247.66 lakhs respectively.

15. The Company had entered into an agreement with Laxmi Organic Industries Ltd. on May 15, 2009 for the sale of its business of Diketene and downstream intermediate products together with removable plant and equipment and accordingly disclosed the net book value of the removable plant and machinery in Balance Sheet as at 31st December 2009 as Fixed asset held for disposal. The transaction has been concluded in January 2010.

During the year the Company has entered into a Memorandum of Understanding (MOU) dated 25th August 2010 with M/s Ananta Landmarks Private Limited for sale of Land together with infrastructure thereon and accordingly the net book value of Land and Building has been disclosed in the Balance Sheet as at 31st December 2010 as Fixed asset held for disposal. The transaction has been concluded during February 2011 for a total consideration of ₹ 24000.00 lakhs.

16. Figures for the previous year have been regrouped wherever necessary to conform to the current year's classification.

17. The figures in brackets are those in respect of the previous accounting year.

For and on behalf of the Board,

R. A. Shah Chairman

P. Palm Vice-Chairman & Managing Director

B. S. Mehta }
H. Meier } Directors

B. L. Gaggar Director Finance & Company Secretary

Mumbai, 24th February, 2011