

Notes

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

1. Significant Accounting Policies

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 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

- (a) 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.
- (b) 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.
- (c) 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) :

- (a) The Company is organised into two primary business segments mainly:
 - (i) **Intermediates and Colours :**
Includes pigment dyestuffs and their dispersion, Intermediates for dyes, pesticides and pharmaceuticals and masterbatches for plastics and nylon fibers.
 - (ii) **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 | 61619.80 | 97471.28 | 39266.95 | 52867.18 | 92134.13 |
| Results | | | | | | |
| Segment results | 6849.82 | 12010.63 | 18860.45 | 8477.04 | 10694.37 | 19171.41 |
| Unallocated corporate expenses (net) | | | (2253.38) | | | (801.51) |
| Operating Profits | | | 16607.07 | | | 18369.90 |
| Interest income/Dividend income | | | 770.92 | | | 491.10 |
| Interest expenses | | | (116.16) | | | (99.87) |
| Profit Before Exceptional Items and Taxation | | | 17261.83 | | | 18761.13 |
| Exceptional items (See note 23, Schedule 17) | | | (729.47) | | | (2450.46) |
| Profit Before Taxation After Exceptional Items | | | 16532.36 | | | 16310.67 |
| Current tax/Deferred tax | | | (5293.64) | | | (5427.34) |
| Fringe benefit tax | | | — | | | (39.00) |
| Excess/(Short) provision for taxation[for earlier years] | | | 2.78 | | | (30.77) |
| Profit After Tax | | | 11241.50 | | | 10813.56 |
| Other Information | | | | | | |
| Segment assets | 19160.66 | 20515.10 | 39675.76 | 19429.34 | 19802.95 | 39232.29 |
| Unallocated corporate assets | | | 27161.39 | | | 18908.51 |
| Total Assets | | | 66837.15 | | | 58140.80 |
| Segment liabilities | 7427.12 | 11909.36 | 19336.48 | 6597.21 | 8997.45 | 15594.66 |
| Unallocated corporate liabilities | | | 4573.34 | | | 3088.13 |
| Total Liabilities | | | 23909.82 | | | 18682.79 |
| Capital expenditure | 2519.20 | 941.64 | 3460.84 | 668.46 | 322.11 | 990.57 |
| Unallocated corporate capital expenditure | | | 51.74 | | | 14.43 |
| Total Capital Expenditure | | | 3512.58 | | | 1005.00 |
| Depreciation/Amortisation | 841.79 | 796.26 | 1638.05 | 1008.70 | 818.63 | 1827.33 |
| Impairment of fixed assets | | | — | 124.51 | 12.47 | 136.98 |
| Unallocated corporate depreciation | | | 51.11 | | | 69.02 |
| Total Depreciation/Amortisation/Impairment | | | 1689.16 | | | 2033.33 |
| 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 | 76783.58 | 20687.70 | 97471.28 | 75032.64 | 17101.49 | 92134.13 |
| Segment Assets | 37518.59 | 2157.17 | 39675.76 | 35612.25 | 3620.04 | 39232.29 |
| Additions to Fixed Assets | 3460.84 | — | 3460.84 | 990.57 | — | 990.57 |

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 Chemieeteiligungen 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) Subsidiary of the Company :

The Company has subsidiary Chemtreat Composites India Pvt. Ltd.-100% shareholding.

**c) 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 Masterbatches (Deutschland) GmbH |
| Clariant (Australia) Pty. Ltd. | Clariant Masterbatches (Italia) S.p.A. |
| Clariant (Canada) Inc. | Clariant Masterbatches (Saudi Arabia) Ltd. |
| Clariant (China) Ltd. | Clariant Masterbatches (Shanghai) Ltd. |
| Clariant (Colombia) SA | Clariant Masterbatches (Thailand) Ltd. |
| Clariant (Egypt) SAE | Clariant Masterbatches Benelux SA |
| Clariant (Guatemala) SA | Clariant Masterbatches Huningue |
| Clariant (Gulf) FZE | Clariant Masterbatches Ireland Limited |
| Clariant (Japan) K.K. | Clariant Masterbatches Norden AB |
| Clariant (Korea) Ltd. | Clariant Masterbatches UK Ltd. |
| Clariant (Malaysia) Sdn Bhd | Clariant Oil Services UK Ltd |
| Clariant (Maroc) S.A. | Clariant Pigments (Korea) Ltd. |
| Clariant (Mexico) S.A. de C.V. | Clariant Pigments (Tianjin) Ltd. |
| Clariant (Pakistan) Ltd. | Clariant Prodotti (Italia) S.p.A. |
| Clariant (Singapore) Pte. Ltd. | Clariant Production (France) |
| Clariant (Thailand) Ltd. | Clariant Production UK Ltd. |
| Clariant (Tianjin) Ltd. | Clariant Produkte (Deutschland) GmbH |
| Clariant (Uruguay) SA | 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 Masterbatch Ibérica S.A. | Clariant (Türkiye) Boya ve Kimyevi Maddeler Sanayi ve Ticaret A.S. |

d) 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 :

(i) Holding Company, Subsidiary Company and Fellow Subsidiaries :

| | 2010 ₹ Lakhs | 2009 ₹ Lakhs |
|---|-----------------|-----------------|
| 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 Chemieeteiligungen 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 |
| Subsidiary Company : | | |
| Transactions during the year : | | |
| Chemtreat Composites India Pvt. Ltd. | | |
| Sale of capital goods | 0.22 | — |
| Services rendered | 132.59 | 115.94 |
| Loan given during the year | 55.00 | 31.00 |
| Loan repaid during the year | 15.00 | 1.00 |
| Amount receivable | 716.42 | 688.35 |
| Fellow Subsidiaries : | | |
| Transactions during the year : | | |
| Sales of goods | | |
| Clariant Produkte (Deutschland) GmbH | 4294.64 | 1419.66 |
| Clariant Corporation | 1893.99 | 1157.42 |
| Clariant (China) Ltd. | 4186.57 | 2895.33 |
| PT Clariant Indonesia | 1027.67 | 1170.42 |
| Others | 5613.75 | 4369.00 |
| 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 | 360.78 |

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

(i) Holding Company, Subsidiary Company and Fellow Subsidiaries : (contd.)

| | 2010 | 2009 |
|---|----------------|---------|
| | ₹ Lakhs | ₹ Lakhs |
| Fellow Subsidiaries : (contd.) | | |
| Transactions during the year : (contd.) | | |
| 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 | 2565.26 | 2453.27 |
| (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. | | |

5. Estimated amount of contracts remaining to be executed on capital account and not provided for

| | 31-12-2010 ₹ Lakhs | 31-12-2009 ₹ Lakhs |
|--|-----------------------|-----------------------|
| | 821.56 | 134.25 |

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. Disclosure required under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are given as follows :

| | 31-12-2010 ₹ Lakhs | 31-12-2009 ₹ Lakhs |
|--|-----------------------|-----------------------|
| (a) Principal amount due | 316.06 | 361.14 |
| Interest due on the above | — | — |
| (b) Interest paid during the year beyond the appointed day | — | — |
| (c) Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act | — | — |
| (d) Amount of interest accrued and remaining unpaid at the end of the year | — | — |
| (e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Act | — | — |

The above information and that given in Schedule-10 'Current Liabilities' regarding micro enterprises and small enterprises has been determined on the basis of information available with the Company. This has been relied upon by the auditors. No Interest has been accrued for delayed payments, if any.

8. Disclosure in respect of Derivative Instruments :

The Company uses Forward Exchange Contracts to hedge its exposure in foreign currency. The information on derivative instruments is as follows:

| | 31-12-2010 | | 31-12-2009 | |
|--|----------------------------|----------------|----------------------------|----------------|
| | Amount in foreign currency | Amount ₹ Lakhs | Amount in foreign currency | Amount ₹ Lakhs |
| (a) Forward exchange contracts outstanding as at | | | | |
| Currency | | | | |
| USD/INR (Sale) | — | — | 750000 | 350.53 |
| EUR/INR (Purchase) | 450000 | 274.90 | 200000 | 135.60 |
| (b) Foreign currency exposures not covered by a derivative instrument | | | | |
| (i) Amount receivable on account of export of goods and services | | | | |
| Currency | | | | |
| USD | 4334693 | 1942.94 | 7195779 | 3354.49 |
| EUR | 120820 | 72.40 | 207550 | 139.49 |
| CHF | 296429 | 141.83 | 278569 | 126.06 |
| | | 2157.17 | | 3620.04 |
| (ii) Amount payable on account of import of goods and services. | | | | |
| Currency | | | | |
| USD | 2708281 | 1213.63 | 1813887 | 843.96 |
| EUR | 2233849 | 1337.93 | 1598195 | 1074.12 |
| CHF | 742430 | 355.19 | 352103 | 159.33 |
| | | 2906.75 | | 2077.41 |

9. (a) 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

(b) Computation of net profit for commission payable to the Directors in accordance with Section 198 of the Companies Act, 1956:

| | 2010 ₹ Lakhs | 2009 ₹ Lakhs |
|---|-----------------|-----------------|
| Profit after tax as per profit and loss account | 11241.50 | 10813.56 |
| Add : Provision for taxation-Net | 5290.86 | 5497.11 |
| Managerial remuneration | 180.36 | 228.54 |
| Wealth tax | 2.22 | 2.50 |
| Termination benefit costs | 1056.47 | 2810.46 |
| Impairment of fixed assets | — | 136.98 |
| Provision for doubtful debts / advances (net) | — | 29.39 |
| | 6529.91 | 8704.98 |
| | 17771.41 | 19518.54 |
| Less : Profit on sale of investments | 13.51 | 0.21 |
| Income from sale of flexible laminating adhesives business | — | 360.00 |
| Income from sale of diketene and intermediate business | 532.65 | — |
| Provision for doubtful debts written back (net) | 94.79 | — |
| Capital Profit on sale of fixed assets | 0.75 | 48.88 |
| | 641.70 | 409.09 |
| Net profit as per Section 198 | 17129.71 | 19109.45 |
| Commission: | | |
| To Vice-Chairman & Managing Director Restricted to an amount as determined by the Board of Directors. | 26.75 | 26.75* |
| To Directors who are not in whole-time employment of the Company @ 1% of net profit i.e. ₹ 171.30 lakhs (₹ 191.09 lakhs) Restricted to an amount as determined by the Board of Directors. | 10.00 | 10.00 |
| | 36.75 | 36.75 |

* Actual paid ₹ 24.66 lakhs

10. Capacities and production :

| Class of goods | 2010 | | 2009 | |
|----------------------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|
| | Annual Installed Capacity M.Tonnes # | Production M.Tonnes * # | Annual Installed Capacity M.Tonnes # | Production M.Tonnes * # |
| (a) Intermediates and colours | 12749 | 10128 | 28027 | 15690 |
| (b) Dyes and specialty chemicals | 71160 | 55984 | 66660 | 50201 |

* Excluding captive consumption

At different concentrations

Notes:

- The classification between the class of goods and the installed capacities have been certified by the Vice-Chairman & Managing Director on which the auditors have placed reliance, this being a technical matter.
- Licensed capacity per annum not indicated due to the abolition of Industrial Licenses as per Notification No. 477(E) dated 25th July,1991 issued under The Industries (Development and Regulations) Act 1951.

11. Purchase of finished goods :

| Class of Goods | 2010 | | 2009 | |
|--|--------------------|---------------|--------------------|---------------|
| | Quantity M.Tonnes* | Value ₹ Lakhs | Quantity M.Tonnes* | Value ₹ Lakhs |
| Trading Items : | | | | |
| Dyes, Chemicals, Pigments, Masterbatches, etc. | 7753 | 13298.05 | 7241 | 12133.72 |

* Includes 503 M. Tonnes (532 M. Tonnes) used for captive consumption.

12. Raw materials consumed :

| | 2010 | | 2009 | |
|---|-------------------|---------------|-------------------|---------------|
| | Quantity M.Tonnes | Value ₹ Lakhs | Quantity M.Tonnes | Value ₹ Lakhs |
| (a) Acetic acid glacial | 754 | 178.17 | 9777 | 2741.79 |
| (b) Phthalo Crude Blue ADN | 625 | 1335.32 | 621 | 1054.31 |
| (c) Others | | 41638.28 | | 34654.09 |
| (None of the items individually exceed 10 % of the total value of raw materials consumed) | | | | |
| | | 43151.77 | | 38450.19 |

Note: Raw materials consumed have been arrived at after write down of certain items and excess/shortage on physical verification

13. Consumption of raw materials :

| | 2010 | | 2009 | |
|---------------------|------------------------|---------------|------------------------|---------------|
| | % of total Consumption | Value ₹ Lakhs | % of total Consumption | Value ₹ Lakhs |
| (a) Raw materials : | | | | |
| Imported | 36.71 | 15839.64 | 33.70 | 12956.32 |
| Indigenous | 63.29 | 27312.13 | 66.30 | 25493.87 |
| | 100.00 | 43151.77 | 100.00 | 38450.19 |

(b) Components and spare parts referred to in Paragraph 4D (c) of Schedule VI of the Companies Act, 1956 are assumed to be incorporated in the goods produced and not those used for maintenance of plant and machinery.

14. Sales, Opening and Closing Stock :

| Class of goods | Opening Stock | | Closing Stock | | Sales (Inclusive of excise duty) | |
|--|-------------------|----------------------|-------------------|----------------------|----------------------------------|-------------------------|
| | Quantity M.Tonnes | Value ₹ Lakhs | Quantity M.Tonnes | Value ₹ Lakhs | Quantity M.Tonnes | Value ₹ Lakhs |
| (a) Intermediates and Colours | 564 (777) | 1651.62 (2774.40) | 608 (564) | 2032.65 (1651.62) | 10084 (15903) | 37626.59 (39838.43) |
| (b) Dyes and Specialty Chemicals | 1860 (1617) | 1265.37 (1458.51) | 1718 (1860) | 1370.69 (1265.37) | 56126 (49958) | 48783.23 (42855.95) |
| (c) Trading items (including Dyes, Chemicals, Pigments, Masterbatches, etc.) | 889 (828) | 1505.92 (1485.72) | 706 (889) | 1443.76 (1505.92) | 7433 (6648) | 17065.82 (14627.86) |
| | | 4422.91 (5718.63) | | 4847.10 (4422.91) | | 103475.64 (97322.24) |

| | 2010 ₹ Lakhs | 2009 ₹ Lakhs |
|--|-----------------|-----------------|
| 15. Earnings per share : | | |
| (a) Net profit after taxation | 11241.50 | 10813.56 |
| (b) Number of equity shares outstanding | 26660745 | 26660745 |
| (c) Basic and Diluted earnings per share (In ₹) | 42.16 | 40.56 |
| (d) Face value per share (In ₹) | 10.00 | 10.00 |
| 16. Assets taken on lease on or after 1st April, 2001 : | | |
| (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 |
| 17. Expenditure on Research and Development : | | |
| (a) Capital expenditure | — | 3.36 |
| (b) Revenue expenditure charged to profit and loss account | 37.75 | 224.20 |
| | 37.75 | 227.56 |
| 18. Miscellaneous Expenses in Schedule 16 : Other expenditure include : | | |
| Auditors' remuneration and expenses : (Excluding Service tax) | | |
| (a) Audit fees | 23.75 | 22.00 |
| (b) Company law matters | 0.15 | 0.15 |
| (c) Taxation services | — | 0.23 |
| (d) Other services | 21.25 | 28.20 |
| (e) Out-of-pocket expenses | 0.50 | 0.45 |
| | 45.65 | 51.03 |
| 19. Value of imports (C.I.F.) : | | |
| (a) Raw materials and trading items | 20795.42 | 16908.62 |
| (b) Components and spare parts | 47.86 | 10.87 |
| (c) Capital goods | 119.93 | 104.49 |
| 20. Expenditure in foreign currency (subject to deduction of tax where applicable) : | | |
| (a) Commission | 168.32 | 177.65 |
| (b) Interest | 20.67 | 6.58 |
| (c) Others (includes exchange loss) | 1628.29 | 1579.68 |
| 21. Remittance in foreign currency on account of dividend : | | |
| Number of non-resident shareholders where direct remittances have been made by the Company | 3 | 3 |
| Number of shares on which dividend is remitted | 16902080 | 16902080 |
| Year to which dividend relates | | |
| 2010 (Interim) | 1690.21 | — |
| 2009 (Final) | 2535.31 | — |
| 2009 (Interim) | — | 1690.21 |
| 2008 (Final) | — | 3211.40 |
| 22. Earnings in foreign exchange : | | |
| (a) Exports (F.O.B.) | 19731.48 | 16612.73 |
| (b) Know-how | — | 132.71 |
| (c) Sale of Capital Goods | — | 50.47 |
| (d) Others (insurance, freight, commission, claims, exchange gain etc.) | 1994.06 | 1268.50 |
| 23. Exceptional items in Profit & Loss Account include : | | |
| 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 |

24. 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 |

24. 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 |

25. Advances and loans to the subsidiary of ₹ 716.42 lakhs (₹ 688.35 lakhs) is due from Chemtreat Composites India Private Ltd. Maximum amount due during the year ₹ 782.03 lakhs (₹ 750.22 lakhs). This amount is interest free and repayable on demand.

26. 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.

27. 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.

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

29. 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