Himadri Chemicals & Industries Limited | Annual Report 2008-09

Business model. Model business.

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.

Across the pages...

Business model.
Model business.

A successful business model maximises the upside during sectoral crests and minimises the downside during industry troughs.

In 2008-09, our business model passed just such a test.

Despite our downstream sectors passing through their most challenging period in memory, we grew our businesses in various ways.

Increased revenues. Enhanced EBIDTA. Strengthened margins.

Indicating better prospects ahead.

Vision

To become a globally acclaimed leader in coal tar-based products by adopting appropriate eco-friendly technologies and enhancing core capabilities through continuous product improvement, technical innovation and customer satisfaction.

Mission

Ensure customer satisfaction through building on our core competence of developing products, processes and people towards achieving global standards of excellence.

Be a cost leader, unleashing employee potential to satisfy stakeholders while being a responsible corporate citizen and adhering to our values. Develop employees and encourage them to excel in their professional, personal and social lives. Be proactive in conserving the environment, maintaining high levels of safety and addressing social concerns in the regions in which we operate.

Business

Aluminium. Hundreds of every-day uses. Tyres. Facilitator of national movement. Steel. National backbone. Concrete. Driver of infrastructure growth. Lithium-ion batteries. Heart of computing and communications.

Himadri Chemicals. India's only integrated company to produce coal tar pitch and derivatives that are used in each of these downstream sectors.

Our 2012 objective

- To figure among the three leading producers of coal tar products in the world
- To become the world's most economical producer of coal tar products
- To be a preferred global supplier of coal tar by-products

Location

The Company is headquartered in Kolkata, India. Its five facilities – three on the outskirts of Kolkata (West Bengal), one in Visakhapatnam (Andhra Pradesh) and one in Korba (Chhattisgarh) – are strategically located near large consumers. The Company has taken an SNF manufacturing unit at Vapi, Gujarat on lease. The Company has also proposed a large manufacturing facility in China.

Clientele

The Company's clientele comprises eminent names in India like the National Aluminium Company Limited, Hindalco Industries Limited, Bharat Aluminium Company Limited, Vedanta Aluminium Limited, Graphite India Limited, HEG Limited and large international names like Dubai Aluminium Company Limited, Pt. Indonesia Asahan Aluminium, SGL Carbon SA, Aluminium of Greece, Graftech International Limited and Osaka Gas Chemicals Company Limited, among others.

Certification

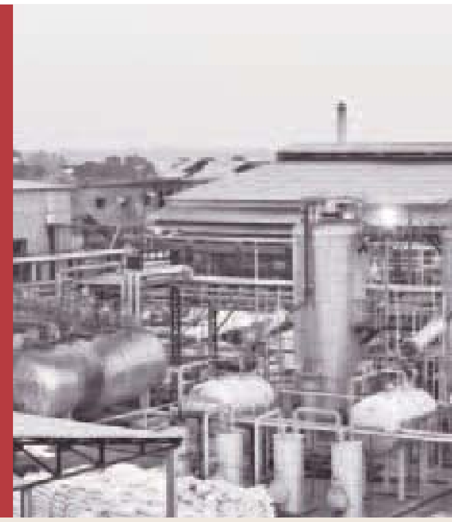
The Company's quality discipline and environmental management system has been certified as per ISO 9001: 2000 and ISO 14001: 2004 standards respectively.

Products

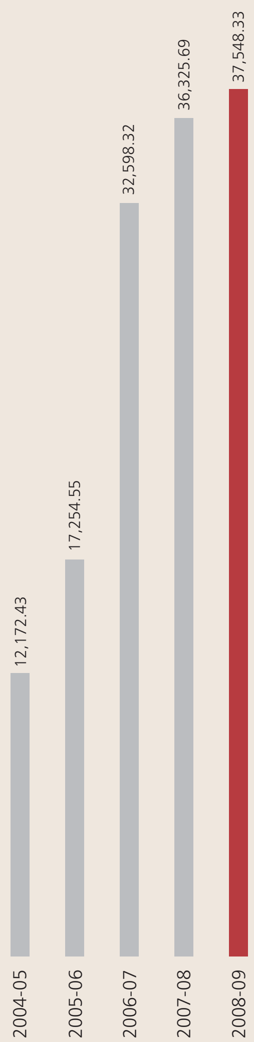
Product name	End use
Coal tar pitch – binder grade	Used as a binder of anodes, a prime input in aluminum manufacture
Coal tar pitch – impregnating	Used as a prime input in graphite electrodes manufacture
Coal tar oils	Used as a carbon black feedstock and furnace oil substitute
Naphthalene	Used in the manufacture of dye and dye intermediates, super plasticizers and tanning agents
Super plasticizers (SNF)	Used in ready mix concrete and for the manufacture of admixtures
Advanced carbon material	Used in making anodes for lithium-ion batteries
Carbon black	Used in tyre, rubber application , plastics, coating, ink and battery
Corrosion protection products	
■ Himcoat Enamel	Provides anti-corrosion protection to underground and off-shore pipelines.
■ Himcoat Primer-B and Himtape	Oil and gas pipelines, tanks, underground structures and fittings, water and sewage pipelines, fire hydrant lines, pipe joints, fittings and couplings
■ Himwrap	Provides complete protection to the underground pipeline, protecting the enamel against soil stress, pipe shift, moisture, bacteria and root growth

The Company also operates windmills (2.5 MW) in Dhule, Maharashtra

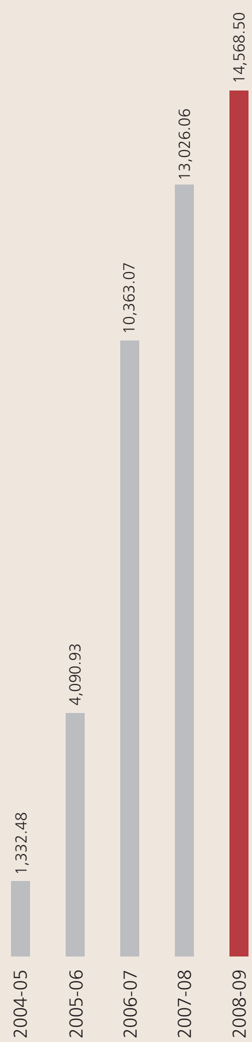
The strength of our business model is reflected in our numbers.



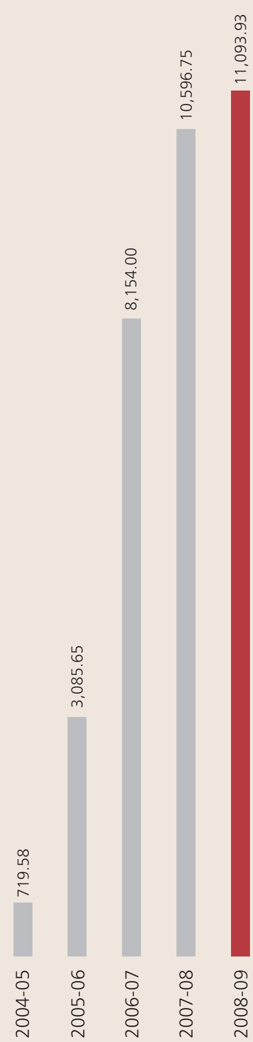
Revenue (net of excise)
(Rs. in lacs)



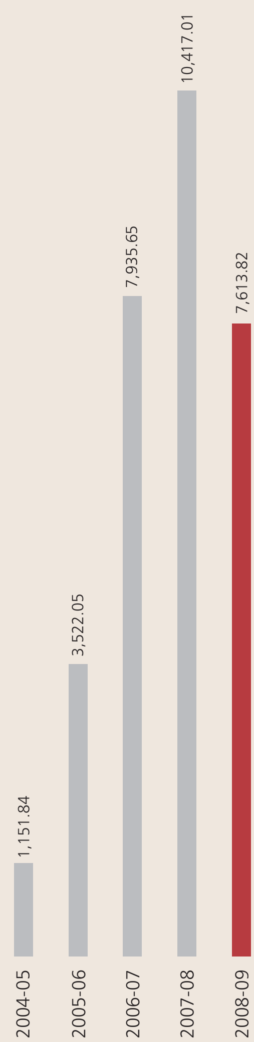
EBIDTA (Rs. in lacs)



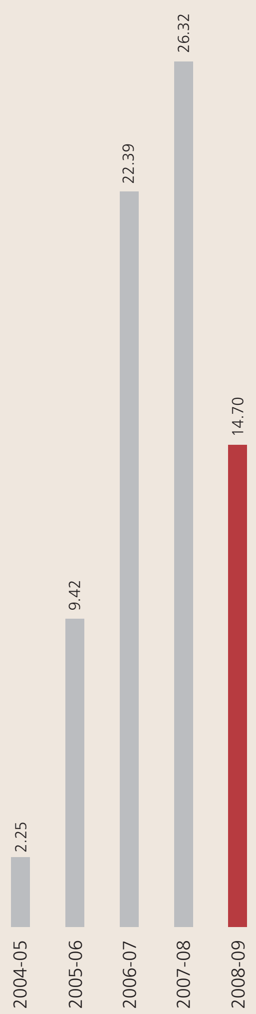
PBT (excluding foreign exchange variations and exceptional items)
(Rs. in lacs)



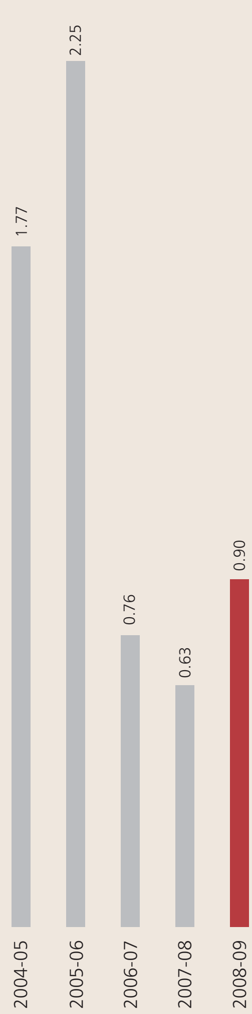
Cash profit (Rs. in lacs)



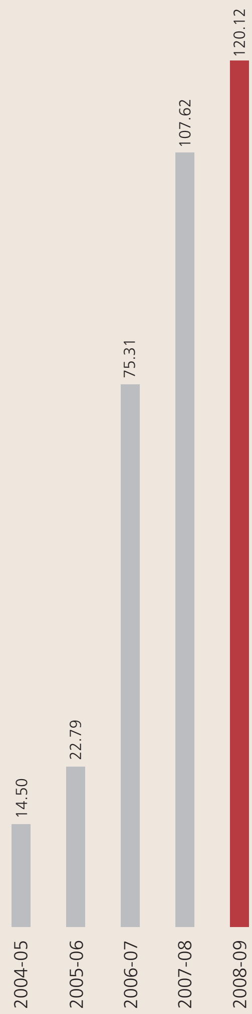
Earnings per share (basic) (Rs.)



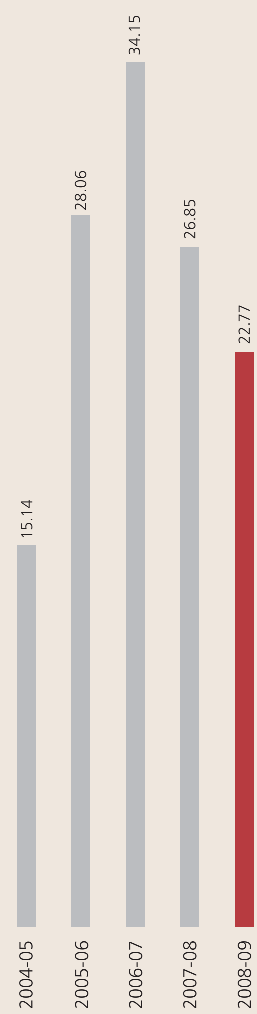
Debt-equity ratio



Book value per share (Rs.)



Average return on capital employed (%)



Numbers

- Net revenues increased 3.37% to Rs. 37,548.33 lacs in 2008-09
- EBIDTA increased 11.84% to Rs. 14,568.50 lacs in 2008-09
- EBIDTA margin increased 294 basis points to 38.80% in 2008-09
- Post-tax profit declined 43.60% to Rs. 4,677.65 lacs in 2008-09
- Earnings per share (basic) declined 44.15% to Rs. 14.70

Operational

- Power consumption declined from 34.601 units/MT of production in 2007-08 to 29.428 units/MT of production in 2008-09.
- Fuel consumption declined from 24.843 litres/MT in 2007-08 to 23.987 litres/MT of production in 2008-09.

Marketing

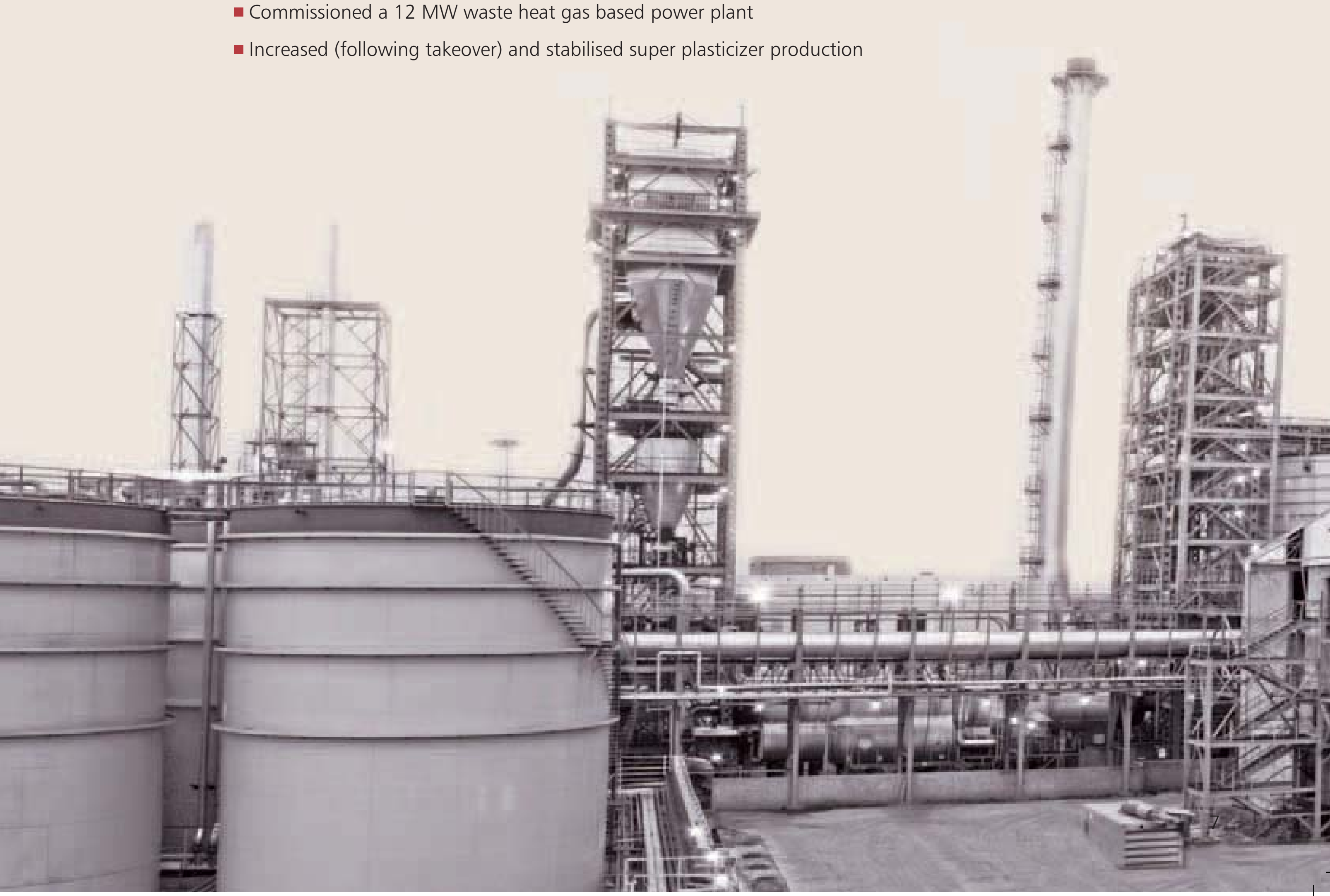
- Exports increased 70.87% to Rs. 7,805.70 lacs in 2008-09.
- Entered the super plasticizer and advanced carbon material segments.
- Added several new customers in overseas market.

Projects

- Acquired an SNF facility under lease in March 2009
- Entered into a joint venture and acquired land to set up a greenfield coal tar pitch plant and liquid terminal in Longkou Port (China) to service the growing demand for coal tar pitch in China, the Middle East, South America, CIS and South Africa
- Accelerated the commissioning of a carbon black plant and a 12 MW power plant (from waste heat gas) at Mahistikry on the outskirts of Kolkata

Post-balance sheet developments

- Revenue declined 7.25% from Rs. 9150 lacs in Q1 2008-09 to Rs. 8487 lacs in Q1 2009-10.
- EBIDTA escalated 7.42% from Rs. 3479 lacs in Q1 2008-09 to Rs. 3737 lacs in Q1 2009-10
- Post-tax profit jumped 7.95% from Rs. 2101 lacs in Q1 2008-09 to Rs. 2268 lacs in Q1 2009-10
- Commissioned a carbon black unit of 50,000 TPA
- Commissioned a 12 MW waste heat gas based power plant
- Increased (following takeover) and stabilised super plasticizer production



Chairman's perspective

For years, we invested in our business model with a singular perspective: to protect profits even at the extreme ends of a cyclicality curve.

I am pleased to state that during the last financial year, we survived the cyclicality test and vindicated the robustness of our business model: we grew our revenues from Rs. 363.26 crores in 2007-08 to Rs. 375.48 crores in 2008-09 and our EBIDTA from Rs. 130.26 crores in 2007-08 to Rs. 145.68 crores in 2008-09.

Remarkably, challenges notwithstanding, we reported encouraging numbers; during the first quarter of 2009-10, despite a 7.25% decline in topline from Rs. 9,150 lacs in Q1 2008-09 to Rs. 8,487 lacs in Q1 2009-10, our EBIDTA strengthened 7.42% from Rs. 3,479 lacs to Rs. 3,737 lacs and our post-tax profit grew 7.95% from Rs. 2,101 lacs to Rs. 2,268 lacs.

This performance gives me the optimism to state that for Himadri Chemicals the worst is indeed over and we have the capability to report attractive growth in 2009-10 and beyond.

Externals and internals

Himadri is in the right region at the right time with the right product profile. Even through the global economic crisis, Asia performed well compared with the rest of the world, with the Sino-Indian economies emerging robust. Asia's growing aluminium requirement will drive coal tar pitch demand. Also, India's per capita aluminium consumption is one of the world's lowest, a convincing rationale for sustainable growth. Although the external environment is challenging and transitory, our capabilities are enduring. Consequently, we enhanced investments in our product portfolio, logistics infrastructure, quality control and intellectual capital.

Integrated model

The result of these initiatives was more than just better cost management and enhanced returns. At Himadri, we have evolved from a coal tar pitch company to a forward-integrated and value-chain enhancing business model comprising the manufacture of profitable by-products like carbon black, co-generated power, naphthalene, oil and sodium naphthalene formaldehyde. From a company that once focused entirely on coal tar pitch, we are now a diversified organisation with a deep carbon competence.

Our strategy of synergically widening our product spread was showcased effectively in 2008-09. We climbed the value chain from the production of naphthalene to sodium naphthalene formaldehyde, widely used as a plasticizer in ready-mix concrete. Going ahead, the picture is optimistic; the SNF market is expected to grow 25% annually over five years due to several upcoming infrastructure, roads, bridges, real estate, dams and hydro projects.

Priorities and possibilities

Topline and bottomline growth – arising out of enhanced capacity and commencement of production of new products with higher value-addition – and a better gearing represent our priorities. Our investments will be influenced by opportunities and we are optimistic of delivering enhanced value to all our stakeholders.

Sincerely

Sd/-

Mr. D. P. Choudhary

Himadri's competitive edge

Bargaining power of suppliers

Low, since coal tar is a by-product and there is no concentration of suppliers.

Potential new entrants

Extremely difficult for new companies to enter coal tar business, due to Himadri's dominant position (closely guarded technology), long and stringent approval process and specialised liquid pitch infrastructure

Competition

No manufacturer in organised sector with state-of-the-art technology and having integrated complex

Substitute products and services

Absent. Existing carbon anode in aluminium and graphite electrode manufacturing technology cannot substitute coal tar pitch

Bargaining power of buyers

Low, since coal tar pitch is a critical component, has direct impact on purity of aluminium, power consumption and PMT carbon consumption and also forms < 2% of aluminum production cost

Our core strengths

Carbon competence

Himadri's core carbon competence has accelerated its evolution from essentially a coal-tar pitch company to a well integrated business model comprising profitable by-products.

Market leader

Himadri is the largest manufacturer of coal tar pitch in India with a market share in excess of 70% across leading buyers.

Forte

Himadri is one of the three global manufacturers of Zero Quinolene Insoluble (QI) Impregnating Coal Tar Pitch, a critical input in the manufacture of graphite electrodes.

Brand

Himadri has emerged as a preferred vendor for many years among aluminium and graphite electrode manufacturers on account of a superior price-value.

Value-added

Himadri manufactures various value-added carbon derivatives like advanced carbon material, carbon black, corrosion protection material naphthalene and SNF, among others

Technology

Himadri manufactures coal tar pitch of consistent quality in line with customer requirements (22 physical and chemical parameters) and at one of the world's lowest costs through in-house technology.

Quality

Himadri's stringent quality control and Statistical Process Control have enhanced product quality. The Company is constantly working with its customers to improve upon the specifications of coal tar pitch. This continuous process of quality enhancement will extend additional benefits to the customers.

Logistical edge

Himadri possesses a dedicated fleet of 80 temperature-controlled tankers to transport liquid pitch, the largest such fleet in India.

Proximity

Himadri possesses five Indian facilities – three on the outskirts of Kolkata (West Bengal), one in Visakhapatnam (Andhra Pradesh) and one in Korba (Chhattisgarh) – located near large downstream users.

Customers

Himadri's long-standing brand-enhancing clients comprise the National Aluminium Company Limited, Hindalco Industries Limited, Bharat Aluminium Company Limited, Vedanta Aluminium Limited, Graphite India Limited, HEG Limited, Dubai Aluminium Company Limited, PT Indonesia Asahan Aluminium, SGL Carbon SA, Aluminium of Greece, Graftech International Limited and Osaka Gas Chemicals Co. Ltd., S.C Alro S.A., to name a few.

Talent pool

Himadri's skilled team of engineers has catalysed product innovation, reduced fuel consumption, optimised raw material mix, increased raw material yield and enhanced capacity.

Core carbon competence

At Himadri, it would be limiting to describe us as a coal tar pitch company.

We are a core carbon company instead.

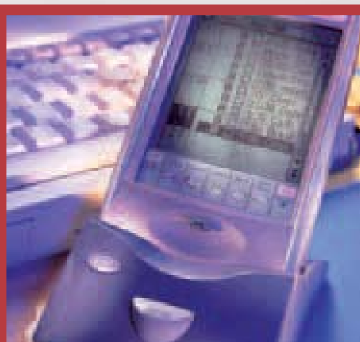
Because we possess an understanding of carbon, its utilities, the products that can be derived from it, the segments they can be applied to and the operating modifications that can enhance quality. Our various carbon-derived products can enhance client convenience.

At Himadri, our competence is reflected in the number of products that we have successfully spun out of a single source (or by-products): Coal tar pitch (binder grade), coal tar pitch (impregnating), oils, naphthalene, advanced carbon material, SNF, carbon black and co-generated power. The R&D team is working proactively to continuously develop new products.

Result: Topline growth in each of the last five years, and a compounded revenue growth of 32% and compounded EBIDTA growth of 82% across the five years leading to 2008-09.

Mass markets. Premium margins.

At Himadri, it would be inadequate to refer to us as a value-adding company.



We reconcile what every business entrepreneur dreams of: margins that can be derived out of specialised businesses with volumes that are afforded by mass markets.

Because on the one hand, our products primarily address mass markets critical to core economies and global growth. On the other, we address specialised applications and leverage the power of integration (so that one end product becomes the raw material for another downstream product).

The result is a rare combination of volume and value.

Result: We are among the few companies in India's organised listed sector with a gross turnover in excess of Rs. 435 cr and an EBIDTA margin of over 38%.

Inclusive and exclusive

At Himadri, it would not be enough to describe us as a backward or forward integrated company.

We are different for a special reason. We have combined the positives arising out of our inclusiveness (arising from integration) with our exclusiveness (the ability to be uniquely placed in the manufacture of select products).

The realities of our integration have already been explained. We are also the only company outside Japan to manufacture zero QI impregnating coal tar pitch and advanced carbon material.

Result: A growing proportion of income from newly introduced products over the foreseeable future.

One company. Many sectoral proxies.

At Himadri, we are associated with the prospects of multiple sectors.

We are an effective proxy for the fortunes of a number of industries.

The aluminium sector, for instance. The supply of coal tar pitch in the manufacture of anodes – 11% of aluminium production in volume terms – makes it possible to reduce power and carbon consumption per MT of aluminium produced. Besides, strong anodes result in the following: no dusting in pots, improved equipment life, directly impacting aluminium production cost.

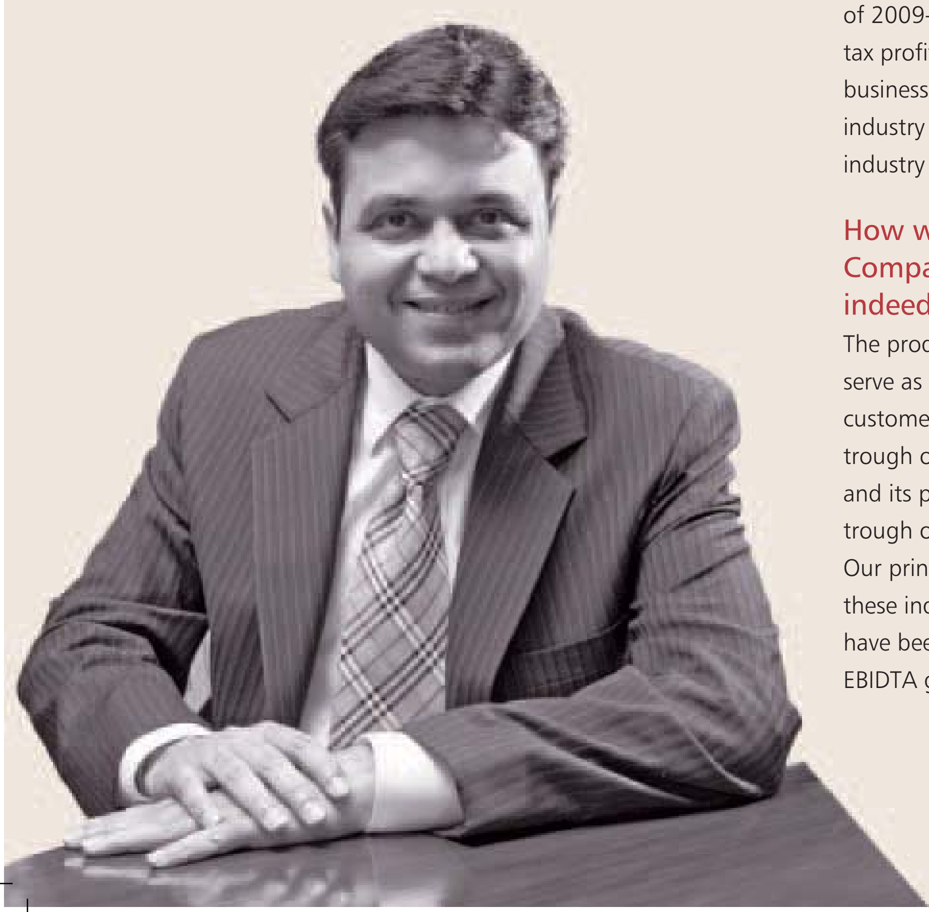
The steel sector. By virtue of the supply of coal tar pitch for onward use as a binder. And the use of impregnating coal tar pitch for graphite electrode, this is consumed by the steel plants.

The tyre sector. By virtue of the manufacture of carbon black for onward use in the manufacture of tyre used in most moving vehicles.

The construction sector. By virtue of the manufacture of SNF for onward used in ready mix concrete, where it improves the strength, fluidity properties and cement consumption.

"Shareholders should be pleased with a number of things: in a year that threatened the existence of a number of companies, Himadri Chemicals actually reported an increase in topline, EBIDTA and margins."

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



Most shareholders are going to see the decline in bottomline – the first in 10 years – and worry.

On the contrary, they should be pleased with a number of things: in a year that threatened the existence of a number of companies, Himadri Chemicals actually reported an increase in topline, EBIDTA and margins. Besides, the decline in post-tax profit was on account of a one-time foreign exchange losses and inventory write-off. In fact, I must draw the attention of our shareholders to the fact that we reported a rebound in performance during the first quarter of 2009-10 with an EBIDTA of Rs. 37.37 crores and a post-tax profit of Rs. 22.68 crores. This fits in precisely with our business model that maximises topline growth during industry upturns and minimises bottomline declines during industry downturn.

How will you assure shareholders that the Company's performance during 2008-09 was indeed creditable?

The product realisations of two of our downstream industries serve as an index. The price of aluminium which is our major customer, nosedived from a peak of USD3,380 per ton to a trough of USD1635 per ton in 15 months. Steel ranged 36% and its price declined from a peak of USD1100 per ton to a trough of less than USD700 per ton during the same period. Our principal product is used directly or indirectly in each of these industries and while one would assume that we would have been correspondingly affected, the reality is that our EBIDTA grew by 11.84% over 2007-08. This was possible due to strategic actions in the area of process improvements, technological innovation, improved product mix and cost reduction.

Important question. What accounted for the decline in profits?

The decline in our performance was largely on account of reasons outside our control – inventory write-off and foreign exchange losses. For instance, we had kept a fair inventory of coal tar oil that is widely used as a raw material for the production of carbon black. In March 2009 when the crude oil price declined, we strategically imported a CBFS consignment, a substitute for our oil and raw material for carbon black. Since as per the accounting policy of the Company, inventories are valued at cost or net realisable value, whichever is lower, we were required to book entire stocks of our oil at the same price of the imported consignment of CBFS as it was at a lower rate. The result was a write-down in inventory value by around Rs. 30.60 crores, though I am happy to state that due to the subsequent rebound in realisations, the notional loss reduced during the first quarter of 2009-10. Besides, we suffered a forex loss of around Rs. 17.16 crores following the depreciation of INR vis-à-vis USD.

I must impress upon readers that the impact on our bottomline would have been deeper had it not been for cost optimisation, process modification, technology upgradation, value-addition and an optimised material mix.

In what way did you strengthen the business in 2008-09?

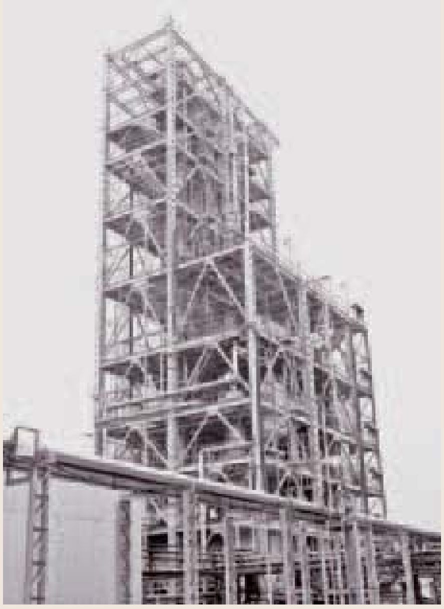
We created an entire new product line in 2008-09 derived out of our deep understanding of carbon. For instance, we stabilised the production of carbonised pitch and scaled production to 90% of our installed capacity. What makes this a significant achievement is that we are the only Company outside Japan to manufacture carbonised pitch and cater to the rapidly growing lithium-ion battery segment. As a first step, the Company is engaged only in the carbonisation form of pitch, which is marketed to intermediaries who sell to companies that graphitise the material and deliver to lithium ion battery manufacturers. We will climb the value chain and move towards graphitisation in two-three years, enhancing value and integrating us closely with downstream users. We derived SNF, a further value-added product, from naphthalene. We also strengthened our global presence by increasing our share of exports from 10.62% in 2007-08 to 17.93% in 2008-09. This helped the Company protect from lower domestic demand. We also bagged a five-year liquid coal tar pitch contract to supply 50% of the requirement of Qatalum, a new aluminium smelter coming up in Qatar.

How is the Company taking its business ahead?

We embarked on the following initiatives that showcased and vindicated our core carbon competence:

One, we leveraged our deep understanding of coal tar pitch derivatives and embarked on the downstream manufacture of carbon black. We installed a 12 MW waste heat-based power plant with our carbon black facility, which will help us utilise power captively and generate power for merchant sales. Going ahead, we expect to leverage this advantage across our installed capacity of 50,000 TPA, enhance our profits and reinvest in a bigger capacity. This will make us a force to reckon with even though we have been a relatively new entrant with a start-up capacity.

Two, we acquired an SNF facility (8,000 TPA) that uses naphthalene raw material derived from our core distillation process and thereafter enhanced capacity to 18,000 TPA. SNF, mixed with ready mix concrete to enhance technological and mechanical properties, holds our excellent scope.



Three, following the proposed 200% expansion of aluminium capacity in India in three years, we will proactively expand our coal tar distillation capacity.

Himadri is a specialised chemical product manufacturer. What is the rationale behind Himadri's entry into the manufacture of carbon black, a commodity business with relatively low EBIDTA margins?

We are in the process of expanding our existing domestic coal tar distillation capacity, which will help us boost oil production. Traditionally, we supplied the oil to carbon black manufacturers, substituting the petroleum by-product CBFS. However, we supplied only 10-15% of their requirement and they were not solely dependent on us. Consequently, we did not enjoy any bargaining power and our realisations were low. By commissioning our own carbon black plant we will derive better realisations with an assured captive market. Besides, carbon black oil manufactured from coal tar possesses low sulphur content, high carbon yield and product consistency. There are some other advantages arising out of this forward integration as well:

- No exchange fluctuations risk as in the case of petroleum CBFS, which is imported

- No custom duties or other indirect taxes

- No handling and logistics costs as the material will be transferred from the coal tar distillation plant to the carbon black plant through pipelines

- No quality aberrations as the raw material quality would be consistent

Consequently, we will be able to generate higher value addition from carbon black manufacture over existing manufacturers.

This means a growing dependence on coal tar pitch for various downstream uses. How does the Company expect to strengthen its distillation presence?

This is an important question as it influences the viability of all our downstream business plans. One of our principal initiatives is that we will expand our coal tar distillation unit capacity. This growth will address two realities: the growing need for coal tar pitch, timed with an increase in the capacity of the country's aluminium capacities as well as the growing captive appetite for by-products that will, in turn, serve as a foundation for the onward manufacture of SNF and carbon black.

How does the Company expect to protect its competitiveness?

At Himadri, we are creating a globally unique integrated coal tar distillation complex, where you have significant volumes at one site, and where the finished product of one section will be consumed in-house as raw material in another. This integration will rationalise our working capital outlay; the carbon black oil manufactured will be converted into carbon black; power will be generated from waste heat gas; naphthalene will be converted into SNF. This will result in Himadri emerging progressively self-reliant in energy use without depending on a third party for fuel oil or alternative energy requirements, and will also be eligible for carbon credits from power generation.

At Himadri, we see this business model as a significant de-risking as it will contribute to a steady core income and profit, largely independent of market movements and slowdowns.

The other question that shareholders have for the Company is the proposed coal tar pitch facility in China.

For shareholders who have read our annual report last year and went through our intent to commission a capacity in China, we must make an important statement: as custodians of shareholder wealth, our management took an informed decision to delay project progress on account of opacity in the business environment and wait for positive industry triggers.

Nevertheless, we are now of the opinion that the time has come to resume progress, timing our commissioning with the expansions of our downstream users. We have purchased land in Longkou (China) to commission this coal tar pitch facility and will be setting up a 100,000 TPA coal tar pitch project. We also intend to commission a liquid pitch terminal to store liquid pitch that will facilitate liquid pitch export, aligned with shipping schedules.

How will the Company fund these expansion programmes?

In the next two years our capex will be significant. We are attractively geared at only 0.90, which indicates adequate borrowing room on a net worth of Rs. 382.59 cr. Secondly we expect our net profit to grow in 2009-10, which will strengthen our capability to fund projects through accruals. We are examining various debt and equity mixes to fund our investments.

What is the Company's outlook?

We expect to possess an annual capacity level of coal tar pitch, which will provide us with an edge to generate more than 200% in revenue growth. With Indian aluminium segment expanding, our products will find a ready market and enable us to grow on the back of our existing customer relationships. Through years of commitment we have matured our business model and now need to merely scale the business, which will prove rewarding for all our stakeholders.

Our business model

- Coal tar distillation will generate coal tar pitch (principal product) as well as oil and naphthalene (by-products).
- For years, we generated oil and marketed this to carbon black manufacturers. Following the commissioning of our captive carbon black unit, we have begun to utilise oil in-house and the waste heat gas generated will be utilised to generate power.
- Earlier, the naphthalene would be marketed to other companies. We will now use part of the material to manufacture SNF, which is used as a reinforcing input in the production of ready mix concrete. Besides, some steam generated from the processing of carbon black will also be used in SNF manufacture, translating into lower production costs. The market for SNF is globally matured; the product enjoys a growing demand in the Middle East, Europe, USA, China, whereas consumption in India is still in a developmental stage.
- The manufacture of carbonised pitch will generate significant value-addition.

Our growth strategy

Organic and inorganic growth planned in the medium term to achieve our goals

Our growth drivers

- Maintaining our domestic leadership in coal tar pitch
- Expanding our customer base in India's aluminium sector
- Enhancing our international sales
- Widening our market for advanced carbon material
- Increasing the portfolio of value-added products
- Enhancing the manufacture of carbon black with combined power
- Focusing on enhanced marketing of SNF
- Strengthening our reputation as the most competitive producer of coal tar pitch and downstream products

Business segment-1

Coal tar pitch

Divisional status: Largest

Overview

Coal tar is a by-product generated through the processing of coking coal into low ash metallurgical coke in a recovery-type coke oven plant. Coal tar accounts for around 3.5-4% of coke produced; in turn, coal tar pitch is a complex chemical with 22 chemical and physical properties obtained through coal tar distillation, which involves the conversion of coal tar into a variety of intermediate chemical products. The residue is coal tar pitch, which is further processed into quality coal tar pitch of desired chemical and physical properties. At Himadri, coal tar pitch is derived from the processing of high temperature coal tar using the latest technology.

Industry

If all of the estimated world metcoke production of 551 million MT for 2008 was based on the recovery process, the amount of coal tar produced would be about 23 million MT. It is estimated that the world's coal tar production was around 17-19 million MT in 2008.

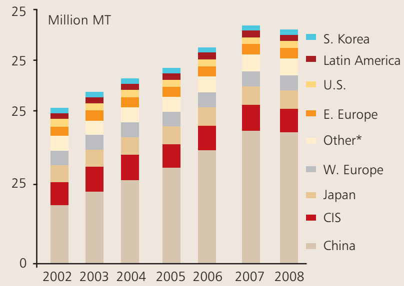
Coal tar pitch outlook

Demand for coal tar pitch -- accounting for 11% of finished aluminium in volume terms and less than 2% in value terms – is directly related to aluminium production. Aluminium production facilities shifting from Europe to the Middle East, China and India are expected to boost Asian coal tar consumption. Indian aluminium production capacity is likely to grow at 33.40% annually from the present 1.2 Million TPA to 3.8 Million TPA by 2012-13. This would drive coal tar pitch demand with an expected 33.48% CAGR from the present 1,32,000 TPA to 4,18,990 TPA in 2012-13. Planning to expand capacity, Himadri is well positioned to capitalise on this opportunity.

Corporate review

The Company intends to scale its coal tar distillation unit to emerge as a significant global player.

World coal tar production



*Includes Canada, Mexico, Africa, Middle East, India and Oceania

Source: McCloskev's Metallurgical Coal Quarterly and Jacobs Consultancy

Grade	Applications
Aluminium grade pitch	In pre-baked anode and Soderberg in aluminium manufacture
Binder pitch	In graphite electrode manufacture acting as a binding agent
Impregnating pitch	In graphite electrode and nipple impregnation and UHP grade electrode manufacturing. An important raw material in the production of needle coke, carbon/carbon composites, advanced carbon material and carbon fibres.
Special pitches	In refractories, carbon paste, paints and water proofing, among others, as raw material

Business segment-2

Advanced carbon material (carbonised pitch)

Overview

Advanced carbon material is integral to our existence – it energizes our communication and computing instruments. Advanced carbon material is used in the manufacture of lithium-ion batteries.

As a step forward, the Company entered into the production of advanced carbon material in January 2008 with a 100% export oriented unit. Himadri Chemicals is the only company outside Japan to possess the technology to manufacture high quality advanced carbon material.

The growth of this business is based on rapid growth in the production of electronic consumer durables using lithium ion batteries. The product advantages comprise: lightness, high capacity, high voltage, long life and zero pollution. Lithium-ion batteries are widely used in mobile phones, laptops, power tools, digital cameras, audio devices, games and implantable medical devices; they are expected to be used extensively in new-age energy vehicles. If hybrid electric vehicles use the lithium-ion batteries, an average car will consume 200 times that of a mobile phone and 40 times that of notebook computer. Technical innovations such as thin-film batteries and high-energy-density lithium-ion batteries create bright prospects for the product.

The prospects of this product are bright in India as well. India's 450 million telecom subscriber base is expected to cross 770 million by 2013, the second largest in the world.

Mobile penetration is expected to grow from 38.7% to 63.5% by 2013, widening the market for lithium-ion batteries.

It currently accounts for 80% of the total battery market globally, endorsing its functionality *(Source: Reuters)*; the market has been growing more than 20% per year over the last few years and expected to post double-digit growth annually through fiscal 2009 and fiscal 2010 onwards *(Source: Yano Research and USGS).*

Corporate review

Coal tar → Advanced carbon material → Anode for lithium-ion

The Company expects to graduate from carbonised pitch manufacture to graphitised pitch and then scale its advanced carbon material capacity gradually to emerge as a significant global player.

Business segment-3

Other derivatives

Overview

The distillation of coal tar into coal tar pitch generates several by-products – oils and naphthalene included – used in specific applications.

Oil type	End use
Light creosote oil	Used as solvents in paints and asphalt liquefying, among others.
Wash oil	Used in the extraction of benzene from coke oven gas and for the manufacture of disinfectant phenolic oil.
Anthracene oil	Used as a wood preservative, a feedstock for the manufacture of carbon black and in coal tar enamels.
Creosote oils	Used in the manufacture of carbon black

Naphthalene: During the distillation process, approximately 8-9% naphthalene is recovered that is used in dye and organic compound intermediates in fine chemicals and pharmaceuticals. It is used in the manufacture of SNF, beta naphthol, phthalic anhydride, tanning agents, moth balls and domestic disinfectants. Globally, coal tar is the major source of naphthalene.

Wind energy: The Company commissioned two windmills (2.5 MW) in Dhule, Maharashtra, in May 2006.

SNF: In 2008-09, the Company acquired an SNF manufacturing facility under a lease arrangement, using captively generated naphthalene. The present capacity of 8,000 TPA, which will be enhanced to 18,000 TPA; expanded capacity will be commissioned by December 2009 and used in Ready Mix Concrete.

Other products: The Company also produces the following corrosion protection products.

Himcoat Enamel: A coal tar-based thermoplastic polymeric coating produced from the plasticisation of coal tar pitch, coal and its distillates, followed by the addition of inert fillers. The product conforms to BS 4164, AWWA C203 and IS 15337 (2003) standards.

Applications	Advantages
Provides anti-corrosion protection to underground and off-shore pipelines.	■ Permanent corrosion protection ■ Resistant to soil bacteria and marine organism ■ Low moisture absorption ■ Good electrical insulation ■ Insolubility in hydrocarbon ■ Excellent adhesion to metal ■ Retains form under soil pressure ■ Ease of application ■ Good flexibility and temperature susceptibility ■ Resistant to cathodic disbonding ■ Inert to soil chemicals

Himcoat Primer-B: A chlorine-based synthetic primer, modified and adjusted with plasticizers and stabilisers in a blend of special solvents. Compatible with Himcoat EnamelTM. Free-flowing and fast drying with excellent bonding between metallic surfaces and coating. Conforms to BS 4164 and AWWA C203 standards.

Applications	Advantages
■ Oil and gas pipelines ■ Tanks, underground structures and fittings ■ Water and sewage pipelines ■ Fire hydrant lines ■ Pipe joints, fittings and couplings	■ All-season primer designed to dry faster under all temperature conditions ■ Free-flowing property permits coverage of 10-12 sq. mt. per litre on new pipe surfaces while old and rough pipes require 10% to 20% extra coverage depending upon pipe surfaces ■ Tasteless and odourless; used to coat pipes from the inside

Himtape: A hot-applied coal tar coating in tape form, composed of specially formulated plasticised coal tar coating completely saturated and bonded to both sides of a high tensile strength fabric. Used to protect underground gas, oil and water pipelines and buried metal surfaces from corrosion and electrolysis. Application easy and environment friendly. Provides uniform coating thickness and long-term protection. Conforms to AWWA C203 and IS 15337(2003) standards.

Applications	Advantages
■ Oil and gas pipelines ■ Tanks, underground structures and fittings ■ Water and sewage pipelines ■ Fire hydrant lines ■ Pipe joints, fittings and couplings	■ Ease of application and low application cost ■ Uniform coating thickness ■ High water and electrical resistance ■ Cathodic disbonding resistivity ■ Soil bacteria, marine organism and root growth resistant ■ Petroleum product, acid and alkali resistant ■ Resistant to damage due to the impact of backfill ■ Good flexibility and temperature susceptibility ■ Excellent adhesion to metal surfaces ■ Environment friendly ■ Good resistance to abrasion

Himwrap: Fibreglass tissue impregnated with plasticised coal tar enamel and dusted with inorganic parting agents to prevent sticking to the roll. Conforms to AWWA C203 and IS 15337(2003) standards.

Applications	Advantages
Provides complete protection to the underground pipeline as it protects the enamel against soil stress, pipe shift, moisture, bacteria and root growth	■ High electrical resistance ■ Bacteria resistant ■ Moisture proof ■ Controlled porosity ■ High tensile strength ■ Rust proof ■ Excellent resistance to soil erosion

Business segment-4

Carbon black

Industry overview

Carbon black is virtually pure elemental carbon in the form of colloidal particles. The material is produced by the incomplete combustion or thermal decomposition of gaseous or liquid hydrocarbons under controlled conditions. Its physical appearance is that of black, finely divided pellets or powder.

Carbon black is widely known as one of the most important industrial chemicals in the world. It is an important industrial chemical widely applied in rubber, plastics, coating, ink, battery, etc. The rubber industry consumes around 90% of the world's carbon black production.

The global carbon black demand is around 10 million MT (capacity around 10.5 million MT) with Asia-Pacific accounting for 50% of the total demand. In India, carbon black demand rose by 11% in FY'08, while production rose by 7%, indicating a growing gap. In the absence of significant expansions, the industry has seen substantial imports.

Corporate review

The Company commissioned its 50,000 TPA carbon black plant in July 2009. Since carbon black manufacture generates waste heat gases, the Company commissioned a 12 MW combined power generation plant and is applying for earning carbon credits. The generated waste heat gas will also be used as a distillation input. The Company intends to enhance the production capacity of carbon black to 90,000 MTPA and power generation plant to 24 MW.

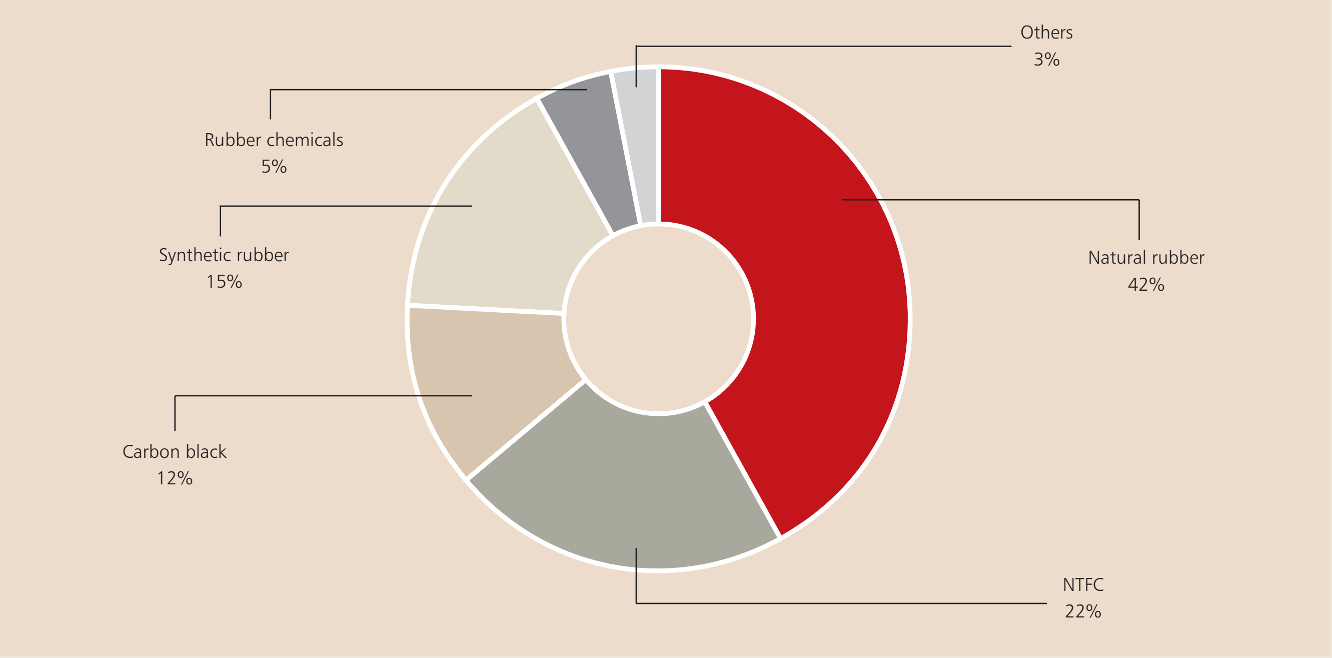
Downstream industry optimism

Global optimism: The world's carbon black demand is forecast to rise 4.2% per year through 2011 to 11 million MT. Carbon black demand from the tyre sector is projected to increase 4.2% annually through 2011 to 7.1 million MT; smaller non-tyre rubber carbon black market will expand 4.0% annually through 2011 to 2.8 million MT riding growth in developing economies (South Asia, Asia Pacific, Middle East/Africa and Latin America).

Indian optimism: India's carbon black demand is catalysed by the growing investments in road infrastructure, vehicle ownership and India's emergence as a global hub for small cars. Tyre production in India grew 2.19% in 2008-09 (first nine months) and the country's tyre industry is expected to grow 6.81% in FY'10 and at a CAGR of 8.21% till FY'13 *(Source: CARE and ATMA)*.

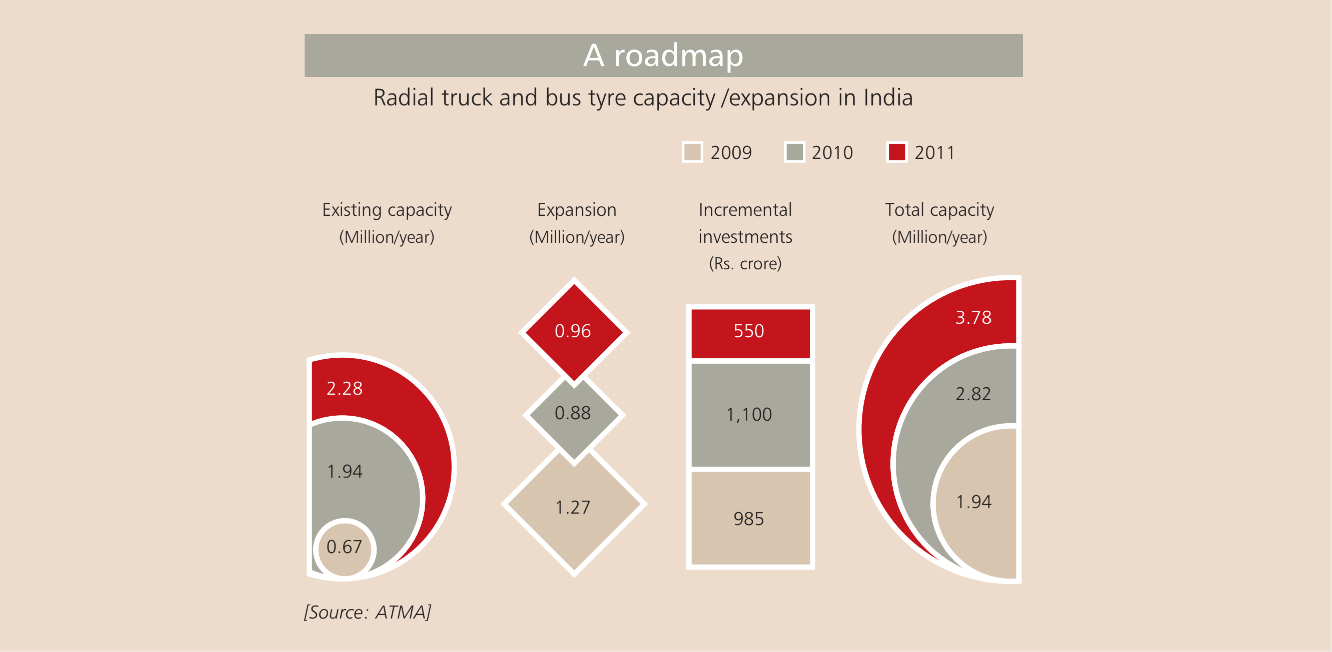
Unlike the global market, which is dominated by passenger cars, the Indian market is dominated by medium and heavy commercial vehicles (56%), passenger cars (11%), light commercial vehicles (9%), tractor (8%) and others (16%). India lags the world in radialisation at just 3% in medium and heavy commercial vehicles and 12% in light commercial vehicles, although passenger cars achieved 95% radialisation. In the tyre industry, raw material costs constitute nearly two thirds of net sales, with petroleum-based raw materials (carbon black, nylon tyre cord fabric [NTCF], synthetic rubber, etc) forming more than half of raw material costs and nearly 35% of net sales.

Breakdown of raw material costs in the tyre industry



[Source: CRISIL Research]

Growing Indian tyre capacity



Our business drivers

Business driver-1

Raw material management

Coal tar (by-product of coke oven plants) represents the key raw material in the production of coal tar pitch and by-products. This material is obtained from recovery type high temperature coke oven batteries through the condensation of gases at a particular temperature. During distillation, coal tar is slowly heated at a high temperature and through the process of distillation, oils, naphthalene and coal tar pitch are produced.

Coal tar

Coal tar pitch | Oils | Naphthalene

Highlights, 2008-09

- Increased raw material storage capacity, enabling the Company to store in bulk and capitalise on low prices
- Reduced costs and enhanced quality through a prudent selection of various types of domestic and imported raw materials

Strengths

- Himadri meets its raw material requirement from Indian steel producers and China (imported). Its Indian suppliers comprise SAIL, RINL, TISCO, MMTC and JINDAL among others.
- The Company possess adequate raw material storage capacity to facilitate anytime material availability.
- The Company maintains a significant raw material inventory in order to eliminate supply disruptions.
- The Company invested in insulated tanks to maintain the raw material at constant temperature, reducing the production cycle and accelerating finished product delivery.

Outlook

The proposed coal tar pitch plant in China will enable the Company to access the large end product market in that country and will also help source raw material at attractive prices (China is the world's largest producer of coke from which coal tar is derived).

Business driver-2

Quality

Consistent product quality helps meet customer requirements.

The Company introduced higher product parameters in coal tar pitch. This consistent quality focus enhanced product acceptance over suppliers from unorganised sector.

Highlights, 2008-09

- The Company added lab equipment and incorporated finished product tests- the only company in the Indian industry and one of the few in the global industry to possess them.
- The Company was able to add more international customers to its portfolio by getting its products accepted.

Strengths

- The ISO 9001:2000 and 14001:2004 certification signifies a commitment towards robust quality policy.
- Raw materials, in-process materials and finished products undergo testing in line with ASTM standards; advanced equipment like statistical process control ensures consistent quality.
- The finished product quality is matched across more than 22 parameters; each lot is accompanied by a test certificate prior to dispatch.
- Technology innovations are directed towards product quality upgradation.
- Eco-friendly technologies facilitate resource conservation.
- R&D laboratory investments are made in advanced equipment like Mettler Melting point apparatus, Wettability Testing apparatus, C/H Ratio Testing apparatus, Special Microscope for determining mesophase in pitch and absorption spectrometer to manage and analyse quality measures. Thermo-gravimetric analysers ensure that the product is usable at customer's end as this tool analyses the behaviour of the coal tar pitch during the process inside customer furnaces.

Business driver-3

Marketing

The Company has been proactive in understanding customer requirements leading to the manufacture of quality products, timely delivery, up-to-date technical and product support as well as prompt customer service.

Highlights, 2008-09

- The Company commercially produced advanced carbon material to cater to the growing market of lithium-ion batteries (growing more than 20% annually globally).
- The Company added several customers in 2008-09, enriching its customer portfolio.
- The Company climbed the value chain to produce super plasticizers (naphthalene value-addition) used in Ready Mix Concrete (RMC).
- Domestic revenue stood at Rs. 35,732.84 lacs in 2008-09, while exports accounted for 18% of sales in 2008-09 (11% in 2007-08).

Strengths

- The Company is the only one outside Japan to produce carbonised pitch
- The Company reinforced longstanding client relationships with major customers in the aluminium and graphite industry like Nalco, Balco, Hindalco, Graphite India and HEG, among others.
- Revenues from repeat businesses were derived from longstanding customers in 2008-09.

Outlook

- In three years, the Company expects to carve out a substantial market share of India's super plasticizer segment.
- The proposed plant in China will capitalise on a growing market in that country.
- The Company's proposed Chinese port location and on-site liquid terminal will facilitate liquid pitch exports.
- The Company commenced carbon black production of 50,000 MTPA capacity, along with 12 MW power generation plant in July 2009, the benefits of which will accrue in 2009-10 and onwards.

Customers

Domestic clients	NALCO, BALCO, HINDALCO, Vedanta Aluminium, HEG, GIL
International clients	Dubal, Alcoa, Aluminium of Greece, SGL Carbon, Graftech International Ltd., PT Indonesia Asahan Aluminium, Osaka Gas Chemicals Company Ltd.

Business driver-4

Logistics management

The Company's competent logistics management facilitates rapid product movement at an economical cost, enhancing customer convenience.

Highlights, 2008-09

- The Company shifted from road to the cheaper rail mode of material transportation for sourcing its significant raw material, which helped reduce logistic costs.
- The Company maintained adequate specialised tankers to transport liquid coal tar pitch. .
- The Company invested in establishing pipelines for transporting oil to its carbon black unit.

Strengths

- The strategic location of the three facilities in eastern India, proximate to aluminium and graphite manufacturing companies, which is a locational advantage.
- The Company possesses robust infrastructure and technology to produce, handle and deliver liquid pitch to aluminium industry users; the material is marketed in solid and liquid forms at a high temperature that makes it convenient and economical to use.
- The Company has a dedicated fleet of 80 tankers – the largest fleet of its kind in India – comprising a heating system for consistent liquid pitch temperature for safe material transportation.

Outlook

Himadri is proposing to set up a liquid pitch terminal at Haldia (India) and China, facilitating a direct access to the global market.

Business driver-5

People

Human resource being a crucial factor in sustaining business and growing successfully, the Company aimed to emerge as a preferred employer within its industry through the following initiatives:

- Expanded global reach and widened employees' career opportunities
- Performance-based employee appraisal, compensation structure at par with the best industry standards, incentive programmes, performance-linked plans and retirement benefits
- Talent nurturing and a people strategy development for organisational growth
- Encouragement of family values among employees to inculcate openness, trust, transparency and belonging
- Enhanced employee participation in decision-making
- Institutionalisation of periodic employee feedback surveys (360-degree approach) along with performance appraisal and competence assessment

Consequently, retention was higher than the industry average.

Business driver-6

Research and development

Research and development is critical for business sustainability and growth. It helps enhance customer satisfaction, while continuously upgrading the technology and products to meet the changing needs of customers and improving the bottomline.

Highlights, 2008-09

- The Company developed value-added by-products like carbon black produced from in-house oils and super plasticizer from naphthalene, enabling the Company to widen its market.
- The Company made capital investments of Rs. 170.48 lacs in research and development during 2008-09.
- The installation of a waste heat recovery system in 2007-08, following the recommendations of the R&D team, helped utilise the waste heat for in-house consumption and led to a reduction in fuel consumption from 24.843 litres per metric ton in 2007-08 to 23.987 litres per metric ton in 2008-09.

Strengths

- The Company is one of the three companies in the world that can manufacture Zero Q1 Impregnation Coal Tar Pitch, which is vital to the graphite electrode industry.
- The Company possesses the technology, engineering and the in-house design capability to manufacture high-quality coal tar pitch.
- The Company is the only one outside Japan to possess the in-house technology to produce pitch-carbon meso beads (a type of advanced carbon material) which is used in lithium-ion batteries.

Outlook

- Going ahead, the Company plans to evolve the technology to extract high value-added products from the coal tar. It plans to develop its value added chain from oils like – Anthraquinone, Carbozole, Phenolic fractions, Quinoline products, Indene, Flourine, etc in the future.
- It has also planned to move a step ahead from carbonisation to graphitisation of advanced carbon material, which will enable the Company to directly cater to lithium-ion battery market.

Amit Choudhary
President (Projects)

Anurag Choudhary
CEO

Tushar Choudhary
President (Operations)

Industry and business review

Indian economy

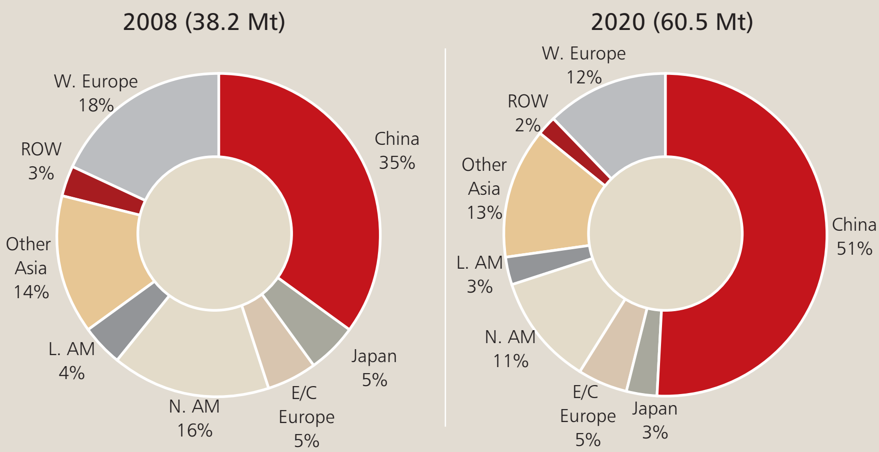
India continues to be the second fastest growing economy (after China); its GDP growth in 2008-09 stood at 6.7% (source: Central Statistical Organisation). The first half of the year was characterised by inflation in commodity prices and counter-measures by RBI; the second part of the year resulted in a slowdown following the global economic meltdown.

The Government of India announced two stimulus packages of Rs. 115 billion to revive demand: the first was directed towards enhancing liquidity, while the second comprised measures like reduction of CENVAT and sectoral investments.

Aluminium industry

Global aluminium industry: Global aluminium production grew 9.33% from 23.46 million tons in 2005 to 25.65 million tons in 2008 and is projected to grow 7.6% compounded annually in 2008-12 to 51 million tons by 2012.

Global primary aluminium consumption by region 2008 and 2020

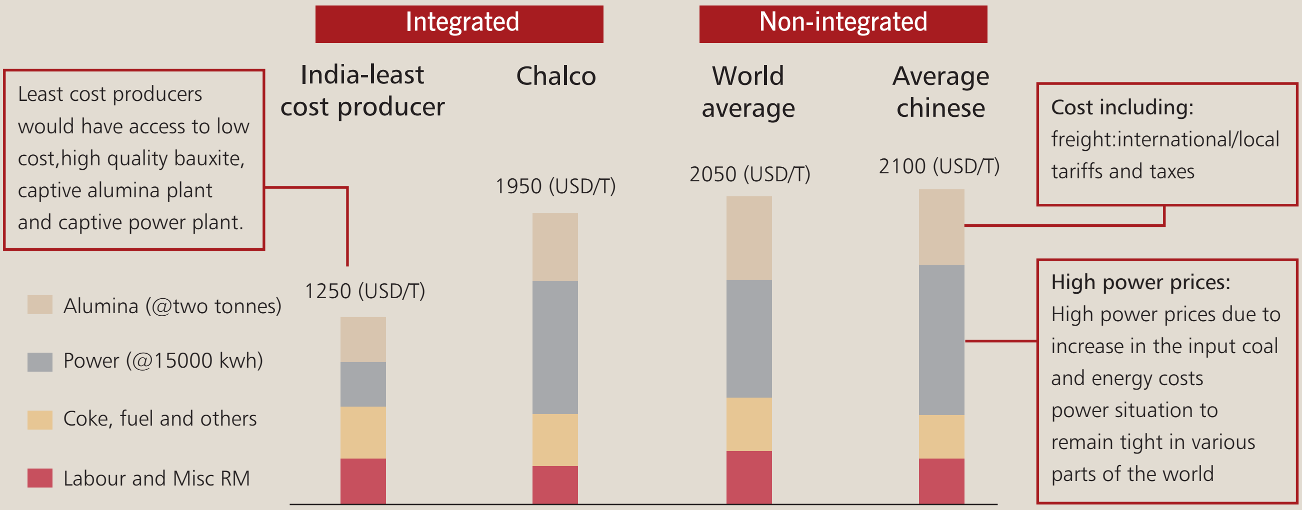


Source: Brookhunt

China's aluminium production is expected to grow 2.5% in 2009 and 6% in 2010 and then expected to register double-digit growth from 2011 to 2013. China's share of the global market is expected to rise from 34% in 2008 to 50% by 2020, while Western Europe's share will fall from 18% to 13% and that of North America from 16% to 11%.

Indian aluminium industry overview: The Indian aluminium industry (3% of global consumption) is emerging as a key player on account of growing consumption, low production costs and vast bauxite reserves along with integrated power plants. In a world where bauxite availability will be key to downstream growth, India is attractively placed: India possesses the fifth largest bauxite reserves of around three billion tons and accounts for 7.5% of global bauxite reserves and 7% of bauxite production, but accounts for less than 5% of global aluminium production. Besides, the country's per capita consumption of the metal is low, leaving considerable room for increase: 0.8 kg in India as against 25 kg in the US, 19 kg in Japan and 10 kg in Europe. Besides, the marginal cost of producing aluminium is currently USD1,600/ton globally and only between USD1,000/ton and USD1,200/ton in India. The result: India's aluminium production will double to 2.7 million tons by FY2012 and 3.2 million tons by FY2013, driving the demand for coal tar pitch. India's primary aluminium consumption is expected to grow at 1.5% and 2% in 2009 and 2010. By 2013, India is likely to become the world's third largest aluminium producer.

Advantage India



Major aluminium industry expansion programmes

- Nalco is increasing capacity from 345,000 TPA to 460,000 TPA by 2009-10.
- Vedanta Aluminium commissioned 250,000 tons in the last quarter of FY'09, another 250,000 tons in FY'10 and is expected to commission another 1.5 mn tons over the next three years.
- Balco is setting up a new smelter in Korba and upgrading the technology at the existing smelter from Soderberg to pre-baked anodes.
- Hindalco is expanding its Muri refinery by 350,000 TPA and is expected to achieve 450,000 TPA by 2009 end. It is also constructing two aluminium smelters, one in Orissa and another in Madhya Pradesh.
- DUBAL is expanding capacity in Dubai
- EMAL, a joint venture between DUBAL and the Abu Dhabi government is coming up in Abu Dhabi
- Qatalum, a new smelter and a joint venture between Hydro Aluminium and Qatar Petrolium is coming up in Qatar
- Sohar Aluminium; a new smelter has come up in Sohar.

Market drivers

Indian auto sector: Even as automobile sales reported a near 30% decline in sales in developed economies, India delivered a 0.7% growth in 2008-09 (passenger car sales registering a 1.31% growth). The automobile industry is expected to grow around 9% in 2009.

Capital good sector: The capital goods sector is a major consumer of aluminium, riding the boom in mining, infrastructure and construction. The cumulative order book of domestic engineering companies is expected to grow 13% in FY'10.

Power generation: Power generation capacity additions are projected at around 78,000 MW in the Eleventh Five-Year Plan (2008-12), leading to a 1.6 million ton estimated requirement of alumimium.

High correlation between IIP and consumption: Based on an estimate of 5.5% IIP growth in FY'10, there will be an increased demand for aluminium based on a high correlation (0.6) between industrial production and aluminium consumption.

Changing demographics: Rising disposable incomes, declining population median age, growth in the incidence of nuclear families, low interest rates and modern attitudes to home ownership (decline in the average age of a new homeowner from 45 years a decade ago to 32 years in 2006) are strengthening housing demand.

Construction sector: If India invests the required £37 bn *(Source: FICCI World Bank Report)* annually for five years to support infrastructure growth, it would lead to considerably stronger aluminium prospects.

Review of financial statements

Accounting policy

The financial statements of the Company abided by the generally accepted accounting principles and the accounting standards as per Section 211(3C) of the Companies Act 1956. These financial statements were prepared under the historical cost convention basis; disclosures were made in accordance with the requirement of Schedule VI of the Companies Act, 1956 and the Indian Accounting Standards. The Company followed the mercantile system of accounting and recognised income and expenditure on an accrual basis. The Company made all relevant provisions as were applicable as on 31 March 2009. The absence of any material qualifications in the Company's auditors' report indicates that its financials present a true and fair view of the Company during the year under review.

2008-09 vs 2007-08

- Net sales increased 3.37% from Rs. 36,325.69 lacs in 2007-08 to Rs. 37,548.33 lacs in 2008-09
- EBIDTA grew 11.84% from Rs. 13,026.06 lacs in 2007-08 to Rs. 14,568.50 lacs in 2008-09
- Cash profit declined from Rs. 10,417.01 lacs in 2007-08 to Rs. 7,613.82 lacs in 2008-09 mainly because of a write-down of inventories to net realisable value and foreign exchange variations.
- Profit after tax declined from Rs. 8,293.01 lacs in 2007-08 to Rs. 4,677.65 lacs in 2008-09
- EBIDTA margin increased 294 basis points from 35.86% in 2007-08 to 38.80% in 2008-09
- Earnings per share (diluted) declined from Rs. 25.42 in 2007-08 to Rs. 13.51 in 2008-09

Revenue analysis

The Company achieved a 1.25% increase in gross revenue from Rs. 43,001.33 lacs in 2007-08 to Rs. 43,538.54 lacs in 2008-09.

Break-up of gross revenue

Segment	2008-09	2007-08	Percentage growth
Coal tar by-products	43,349.60	42,804.09	1.27
Coal tar tape	51.36	64.88	(20.84)
Others	137.58	132.36	3.94
Total	43,538.54	43,001.33	1.25

Revenue by geography: Revenue from exports increased by 70.87% from Rs. 4,568.25 lacs in 2007-08 to Rs. 7,805.70 lacs in 2008-09. Domestic sales declined marginally from Rs. 38,433.08 lacs in 2007-08 to Rs. 35,732.84 lacs in 2008-09 due to lower sale of oils during this year compared to an earlier period. Coal Tar oil was accumulated in stock to use as raw material for the production of carbon black, which was commissioned in July 2009. The proportion of revenue derived from exports increased from 10.62% in 2007-08 to 17.93% in 2008-09.

Revenue by business activity: Income from other sources (interest and dividend income) declined 27.66% from Rs. 545.11 lacs in 2007-08 to Rs. 394.32 lacs in 2008-09. Other income comprised 2.71% of the EBIDTA (4.18% in 2007-08) and 8.43% of the net profit for 2008-09 (6.57% in 2007-08); being essentially recurring in nature.

Costs analysis

The Company's total operational cost declined 6.66% from Rs. 25,879.90 lacs in 2007-08 to Rs. 24,155.42 lacs in 2008-09. Operational cost declined due to process upgradation, technological modification and manpower optimisation. As a result, operational cost as a proportion of net sales declined from 71.24% in 2007-08 to 64.33% in 2008-09.

Raw material cost: Raw material costs declined 7.77% in quantum terms from Rs. 22,050.84 lacs in 2007-08 to Rs. 20,336.61 lacs in 2008-09. As a result, raw material cost as a proportion of the total expenses declined from 85.20% in 2007-08 to 84.19% in 2008-09 following optimum use of raw material as well as prudent purchase.

Power and fuel cost: Power and fuel costs declined marginally from Rs. 1,055.95 lacs in 2007-08 to Rs. 943.07 lacs in 2008-09. However, power and fuel cost as a proportion of the total expense declined from 4.08% in 2007-08 to 3.90% in 2008-09. The Company used waste heat recovery equipment and installed various equipment, reducing fuel consumption. The Company's electricity consumption declined from 34.601 units/MT of production in 2007-08 to 29.428 units/MT of production in 2008- 09, and fuel consumption from 24.843 litres/MT in 2007-08 to 23.987 litres/MT of production in 2008-09.

Employee cost: The Company's wage bill grew 34.59% from Rs. 365.04 lacs in 2007-08 to Rs. 491.29 lacs in 2008-09; as a proportion of operational expenses, it escalated from 1.41% in 2007-08 to 2.03% in 2008-09 following accelerated recruitment of employees in 2008-09.

Manufacturing and other expenses: The Company's manufacturing and other expenses (excluding power, fuel and employee costs) declined from Rs. 2,408.07 lacs in 2007-08 to Rs. 2,384.45 lacs in 2008-09. But manufacturing expenses as a proportion of the total expenses increased marginally from 9.31% to 9.88% on account of increasing miscellaneous expenses and freight and forwarding expenses.

Margins

The Company's EBIDTA margin increased 294 basis points from 35.86% in 2007-08 to 38.80% in 2008-09, a testimony to the Company's ability to cap costs and enhance product value. Net margin declined from 22.83% in 2007-08 to 12.46% in 2008-09 on account of the forex losses booked and write-down of inventories to NRV.

Capital employed

The Company's average capital employed increased 31.90% from Rs. 48,515.51 lacs as on 31 March 2008 to Rs. 63,991.04 lacs as on 31 March 2009 due to an increase in the surplus reinvestment and loan funds. The Company reported a 22.77% return-on-average capital employed during 2008-09. The capital employed included capital-work-in-progress of Rs. 25,618.22 lacs as on 31 March 2009.

Net worth: The Company's net worth increased 12.81% from Rs. 33,913.58 lacs as on 31 March 2008 to Rs. 38,259.23 lacs as on 31 March 2009 on account of the profit increase. Return on average net worth declined from 28.77% in 2007-08 to 12.96% in 2008-09.

Equity capital: The Company's equity capital comprised 3,18,51,257 equity shares of Rs. 10 each (3,15,11,257 in the previous year). The increase in the equity share capital was due to the issue of additional equity shares following the conversion of warrants. As on 31 March 2009, the promoters' shareholding in the Company stood at 52.29%, whereas foreign institutional shareholding in the Company stood at 0.22%. The Company's book value per share increased from Rs. 107.62 per share to Rs. 120.12 per share.

Reserves and surplus: Reserves represented zero-cost funds accumulated over the years through the plough-back of operational surpluses as well as equity placements. The Company's reserves and surplus increased 15.32% from Rs. 28,282.35 lacs as on 31 March 2008 to Rs. 32,615.35 lacs as on 31 March 2009. Around 99% of the Company's reserves were free in nature.

External funds: The Company's external funds comprised secured and unsecured loans. Total external funds increased 61.49% from Rs. 21,342.69 lacs as on 31 March, 2008 to Rs. 34,466.57 lacs as 31 March, 2009. Secured loans increased 69.35% from Rs. 18,466.27 lacs in 2007-08 to Rs. 31,272.60 lacs in 2008-09. The proportion of secured loans in the total loan portfolio increased from 86.52% in 2007-08 to 90.73% in 2008-09; unsecured loans included long-term deep discount debentures. Unsecured loans increased 11.04% from Rs. 2,876.42 lacs in 2007-08 to Rs. 3,193.97 lacs in 2008-09.

	2008-09	2007-08
Debt-equity ratio	0.90	0.63

Correspondingly, the Company's interest outflow increased 70.71% from Rs. 1,114.36 lacs in 2007-08 to Rs. 1,902.29 lacs in 2008-09. The average cost of debt during the year stood at 6.82% compared with 5.66% in the previous year. Interest cover was 4.32 in 2008-09, the economic weakness notwithstanding.

Gross block

The Company's gross block increased 9.10% from Rs. 29,897.21 lacs as on 31 March 2008 to Rs. 32,617.84 lacs as on 31 March 2009. Return on gross block increased from 43.57% in 2007-08 to 44.66% in 2008-09.

The Company followed the method of depreciation in the manner specified in Schedule XIV of the Companies Act, 1956. Total depreciation increased 19.57% from Rs. 1,314.95 lacs in 2007-08 to Rs. 1,572.28 lacs in 2008-09 due to increased gross block. Accumulated depreciation as a proportion of gross block increased from 15.42% to 18.95% as a quantum part of the investment was done on the later part of the year.

The Company's capital-work-in-progress increased 416.17% from Rs. 4,963.09 lacs as on 31 March 2008 to Rs. 25,618.22 lacs as on 31 March 2009 due to the proposed commissioning of the carbon black with power plant and coal tar pitch expansion project.

Investments

The Company's investments stood at Rs. 199.96 lacs in 2008-09. The Company made investments in government securities, shares of other companies and its wholly-owned subsidiary (Himadri Global Investments Ltd. Hong Kong).

Working capital

The Company's working capital remained an important driver of daily operations. Net working capital declined 12.65% from Rs. 26,428.17 lacs as on 31 March 2008 to Rs. 23,084.71 lacs as the Company strengthened terms of trade; correspondingly, working capital as a proportion of total capital employed stood at 31.74% in 2008-09 against 47.83% in 2007-08.

Inventory: The Company's total inventories declined 25.50% from Rs. 12,825.01 lacs as on 31 March 2008 to Rs. 9,555.08 lacs as on 31 March 2009 on account of strengthened inventory management and write-down on valuations. Raw materials formed 57.82% of total inventory, finished goods 41.96% and the balance comprised packing material. The inventory cycle of finished goods declined from 63 days of turnover equivalent in 2007-08 to 39 days in 2008-09.

Debtors: The Company's debtors increased 9.59% from Rs. 6,829.92 lacs as on 31 March 2008 to Rs. 7,484.79 lacs as on 31 March 2009 due to a difficult business environment. The debtors' cycle increased from 58 days in 2007-8 to 63 days in 2008-09, reflecting the impact of the slowdown.

Loans and advances: The Company's loans and advances increased 17.19% from Rs. 9,543.07 lacs as on 31 March 2008 to Rs. 11,183.70 lacs as on 31 March 2009. The surge was mainly due to advances paid to vendors.

Cash-and-bank balances: The Company's cash-and-bank balances declined 40.35% from Rs. 1,608.76 lacs as on 31 March 2008 to Rs. 959.61 lacs as on 31 March 2009 on account of debt repayment.

Current liabilities and provisions

The Company's creditors increased 132.41% from Rs. 1,754.89 lacs as on 31 March 2008 to Rs. 4,078.62 lacs as on 31 March 2009. Provisions declined from Rs. 2,579.90 lacs in 2007-08 to Rs. 1,110.62 lacs in 2008-09 due to a decline in the provision on taxation, proposed dividend and corporate divided tax.

Forex management

The Company's export sales were Rs. 7,805.70 lacs in 2008-09. The Company also imported raw material. Its net foreign exchange loss stood at Rs. 1,716.37 lacs in 2008-09 against a gain of Rs. 0.39 lacs in 2007-08.

At Himadri, risk management and mitigation is embedded in our consistent business philosophy to enhance sustainability and stakeholder returns.

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.

Industry risk

Demand slowdown in downstream sectors can dampen profitability

Risk mitigation

- Temporary slowdowns notwithstanding, global primary aluminium consumption is expected to grow at 3.9% annually to 60.5 mt by 2020.
- Shifting aluminium production facilities from Europe to the Middle East, China and India will drive demand for coal tar pitch.
- World carbon black demand is forecast to rise 4.2% annually to 2011.

Strategy risk

An incorrect strategy can stagger growth

Risk mitigation

The Company has invested in forward integration, scale, global marketing presence and customer proximity, among other strategic initiatives, and these continue to remain relevant.

Realisations risk A decline in realisations can impact profitability.	**Risk mitigation** ■ The Company established itself as one of the most competitive producers in coal tar pitch and carbon derivatives. ■ It possesses a large portfolio of carbon allied products (advanced carbon material, carbon black, corrosion protection and naphthalene) ■ The increased portfolio of high-value products in the total sales mix has enhanced average realisations. ■ Decline in realisation will lead to a corresponding decline in the raw material cost
Input cost risk An incorrect strategy can stagger growth	**Risk mitigation** The Company has invested in forward integration, scale, global marketing presence and customer proximity, among other strategic initiatives, and these continue to remain relevant.
Realisations risk The Company may not be able to source key inputs at the right price and time or in the right quantity and quality	**Risk mitigation** ■ The Company enjoys a long-term relationship with Indian raw material suppliers. ■ The Company has the technical capability to manufacture high-quality coal tar pitch from any quality of raw material. ■ In case of any shortfall in the domestic market, it can import additional raw material requirement. ■ It invested in raw material tanks (250 MTPA to 5,000 MTPA) to store material at a consistent temperature.
Quality risk Inconsistent product quality can lead to customer attrition	**Risk mitigation** ■ The Company's quality control measures ensure that raw materials, in-process materials and finished products are subject to exhaustive tests in line with international standards. ■ Its laboratory follows stringent quality control using advanced analytical methods. ■ Its Statistical Process Control Technique ensures product uniformity. ■ Its quality commitment is certified as per ISO 9001:2000.
Operation risk Inadequate facilities can affect production throughput	**Risk mitigation** ■ The Company possesses four coal tar distillation plants in India. ■ Its coal tar storage capacity is adequately huge.
Logistics risk An inadequate logistical framework can affect timely delivery	**Risk mitigation** ■ The Company possesses a dedicated fleet of 80 tankers to transport liquid pitch. ■ These tankers possess a specially designed heating system to ensure smooth delivery. The fleet is the largest fleet of its kind in India. ■ Its manufacturing facilities are strategically located with access to rail and road connectivity.

Geographic risk

A limited geographic presence may affect growth

Risk mitigation

- The Company's main product (coal tar pitch) is mission-critical in aluminium and graphite electrode manufacture and non-substitutable. The product is marketed across several states in India.
- The Company markets coal tar pitch to customers across India and abroad.

Competition risk

The Company may encounter intense competition and yield market share

Risk mitigation

- The Company caters to around 70% of the Indian aluminium and graphite electrode industry's requirement of coal tar pitch, resulting in strong customer preference.
- It expanded capacities across all products to cater to wider markets and benefit from economies of scale.
- Its capital cost per ton is significantly lower than the prevailing industry benchmark for greenfield projects, ensuring profitability.
- The technology for high-quality coal tar pitch manufacture is privy to the Company/ manufacturers only as it has been developed in-house. Its technology leverage resulted in one of the world's lowest cost coal tar pitch manufacture.
- The Company transports liquid pitch through dedicated specialised tankers at high temperatures, creating import barrier.

Liquidity risk

The Company may be unable to procure funds to manage day-to-day operations

Risk mitigation

- The Company increased debtors' cycle from 58 days of turnover equivalent in 2007-08 to 63 days in 2008-09 owing to enhanced scale of business and favourable business conditions.
- Strengthened creditors' period from 10 days in 2007-08 to 17 days in 2008-09, optimising working capital use
- Working capital cycle was 224 days in 2008-09 (266 days in 2007-08)
- Around 42.28% of the Company's total debt comprised working capital loans
- The Company enjoys adequate working capital limits from various banks.

Funding risk

The Company may not be able to source funds for the ongoing expansion

Risk mitigation

- The Company enjoyed an attractive debt-equity ratio of 0.90 to fund business expansion
- Its fund mix comprised a prudent combination of secured and unsecured loans.

Environment risk

Growing environmental emphasis may warrant the stringent implementation of statutory recommendations, increasing capex

Risk mitigation

- The Company built its plant with state-of-the-art technology developed in-house.
- Possesses all necessary environmental approvals from the State Pollution Control Boards in the states of its presence
- Invested in effluent treatment plants in all factories
- Operations have never been interrupted or closed on account of environmental transgressions
- Environmental management system has been certified as per ISO 14001:2004

Directors' Report

Dear members

We are pleased to present the Company's Twenty First Annual Report, together with the audited financial statements and the Auditor's Report of your Company for the financial year ended 31 March 2009.

Financial highlights

The Company's financial results for the year under review and those of the previous year are given below :

(Rs. in lacs)

	For the year ended 31 March 2009	For the year ended 31 March 2008
Gross turnover	43,538.54	43,001.33
Other income	394.32	545.11
Total income	43,932.86	43,546.44
Operating profit	**12,852.13**	**13,026.45**
Interest and finance charges	1,902.29	1,114.36
Depreciation	1,572.28	1,314.95
Profit before tax and exceptional item	**9,377.56**	**10,597.14**
Exceptional item	3060.21	–
Profit before tax	**6,317.35**	**10,597.14**
Provision for tax		
Current tax	710.00	1816.00
Fringe benefit tax	22.00	23.00
Deferred tax	984.49	465.13
Mat credit entitlement	(76.79)	–
Profit after tax	**4,677.65**	**8,293.01**
Add: Surplus brought forward	8,740.69	4,185.56
Add: Prior year adjustments	–	(0.54)
Surplus available for appropriation	**13,418.34**	**12,478.03**
Appropriations		
Transfer to general reserve	1,000.00	3,000.00
Dividend for earlier year	6.80	–
Proposed dividend	322.63	630.23
Dividend tax	55.99	107.11
Balance carried to balance sheet	**12,032.92**	**8,740.69**

Dividend

Your Directors, in view of the Company's good performance and considering of further funds needed for various on-going expansion programmes, are pleased to recommend a dividend of Re. 1 per share on 3,22,63,257 equity shares (including 4,12,000 equity shares allotted upon conversion of warrants) of Rs. 10 each for the financial year 2008-09 as compared to Rs. 2 per share in the previous year. The total payout on dividend (including dividend tax) will be Rs. 378.62 lacs as against Rs. 737.34 lacs in the previous year.

Operations

During 2008-09, the Company achieved a turnover of Rs. 375.48 crore as compared to Rs. 363.26 crore in the previous financial year, representing an increase by 3.37% from the previous year. The profit before tax, foreign exchange fluctuation loss and exceptional item increased by 4.68% from Rs. 105.97 crore 2007-08 to Rs. 110.93 crore in 2008-09. The net profit after tax decreased by 43.60% from Rs. 82.93 crore in 2007-08 to Rs. 46.78 crore in 2008-09 due to foreign exchange fluctuation loss of Rs. 17.16 crore and provision of Rs. 30.60 crore towards write down of inventories to net realisable value.

Windmills

The performance of the windmills at Dhule in Maharashtra remained satisfactory and produced 36,65,906 Kwh wind energy and generated a revenue of Rs. 137.58 lacs during 2008-09.

Wholly-owned subsidiary in Hong Kong

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.

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.

Joint ventures in China

During 2008-09, wholly-owned subsidiary of the Company i.e., Himadri Global Investment Limited, entered into a joint venture agreement with a Chinese company to establish a greenfield plant for coal tar distillation in Longkou, Shandong Province, China.

Expansion, modernisation and diversification

Carbon black project with captive power plant

The Company installed a forward integration plant at Mahistikry in West Bengal for the manufacturing carbon black with an annual capacity of 50,000 MTPA and captive power plant of 12MW capacity based on waste heat gas which is expected to commence its commercial production by the beginning of the second quarter of the current financial year.

Coal tar pitch expansion project

The Company has undertaken a project at Mahistikry in West Bengal for the expansion of existing coal tar distillation unit by increasing the current annual capacity of this unit from 91,000 MT to 1,72,000 MT. The implementation of the project is progressing as per schedule.

The cost of the above projects is financed partly by bank/International Finance Corporation(IFC) and partly through the issue of equity and internal accruals.

Finance

Allotment of shares upon conversion of warrants

During the year, the Company allotted 340,000 equity shares of Rs. 10 each at a premium of Rs. 219.25 per share on conversion of equal number of warrants issued in the year 2006-07. The Company received balance consideration of Rs. 701.25 lacs during the year on conversion of the said warrants, which was utilised for capital expenditure. The subscribed, issued and paid-up capital of the Company has increased to Rs. 31,85,12,570 divided into 3,18,51,257 equity shares of Rs. 10 each. These additional shares are listed on the stock exchanges.

Authorised capital

The Board, with a view of giving effect to the various capital raising proposals has increased the Company's authorised capital from Rs. 40 crore divided into four crore equity shares of Rs. 10 each to Rs. 50 crore divided into five crore equity shares of Rs. 10 each by way of passing an ordinary resolution at the Annual General Meeting held on 26 September 2008.

Working Capital

During 2008-09, the Company was sanctioned enhanced working capital facilities under multiple banking arrangements from the State Bank of India and The Hong Kong and Shanghai Banking Corporation Limited. During the year, two more banks i.e, DBS Bank Limited and Axis Bank Limited have sanctioned working capital facilities. The Company is regular in servicing these debts.

Term loan

During 2008-09, the Company was sanctioned a term loan of Rs. 75.00 crore from The Hong Kong and Shanghai Banking Corporation Ltd and Rs. 36.00 crore from the Citi Bank, N.A. to finance carbon black project including captive power plant and coal tar pitch expansion project at Mahistikry in West Bengal.

Capital expenditure

During 2008-09, the Company incurred a capital expenditure of Rs. 233.76 crore (including capital work-in-progress).

Directors

During 2008-09, Mr. Vivek Chhachhi, was appointed as the Nominee Director of Citigroup Venture Capital International Growth Partnership Mauritius Limited, replacing Mr. Ajay Relan.

Mr. Shyam Sundar Choudhary, Executive Director and Mr. S. K. Banerjee, 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.

Mr. S.K.S. Narayan, Independent Director of the Company, resigned with effect from 29 June 2009. The Board will fill up the vacancy in due time by appointing a suitable person.

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 were not applicable, as none of the employees, either employed throughout the financial year or part of the financial year, received remuneration in excess of the limit prescribed under the rules amended till date.

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 annexed hereto, forming a part of this Report.

Corporate Governance

As per Clause 49 of the Listing Agreement 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 a 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 a 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 did not accept any deposit from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956, during the financial year.

Auditors

The statutory auditors, M/s. S. Jaykishan, Chartered Accountants, retire 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 asset records, we are to state that the Company maintains proper records of 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 continue 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 3,06,65,541 equity shares of the Company held by the shareholders in dematerialised form as on 31 March 2009, representing 96.28% 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 at all the works / units of the Company continued to be cordial during 2008-09. The management, with a view to build a strong and efficient human capital in the Company, endeavours to provide excellent work environment and full motivation to every employee. Various measures are adopted by the management to enhance efficiency, competency and skills of individual employees through training programmes and motivation.

Acknowledgement

Your Directors wish to place on record their appreciation for the continued support and cooperation extended to the Company by its customers, stakeholders, bankers, suppliers, various regulatory and government authorities and other business associates. Your Directors recognise and appreciate the hard work and efforts put in by all the employees 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: 29 June 2009	*Managing Director*	*Executive Director*

Annexure to the Director's 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 a part of the Directors Report for the year ended 31 March 2009.

A. Conservation of energy

Serial number	Particulars	
a)	Energy conservation measures taken	Your Company continues to give priority to 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	No additional investment was made during 2008-09.
c)	Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods	Cost of power and fuel consumption was reduced and consequently cost of production also declined
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 and fuel consumption

	Unit	Current year	Previous year
i) Electricity			
Unit	Kwh	46,31,956	60,92,172
Total	Rs.	2,04,55,216	2,47,44,144
Rate per unit	Rs./kwh	4.42	4.06
ii) Fuel			
Quantity	Kltrs	3,775.501	4,374.087
Total cost	Rs.	6,87,65,341	7,49,58,906
Average rate	Rs./Kltr.	18,213.57	17,137.04
iii) Diesel			
Quantity	Ltrs	1,34,323	1,77,489
Total cost	Rs.	50,86,243	58,91,468
Average rate	Rs./Ltr.	37.87	33.19

2. Consumption per unit of production

	Unit	Current year	Previous year
Total production of coal tar by-products	MT.	1,57,398	1,76,068
Electricity	Unit/ MT	29.428	34.601
Fuel	Ltrs/MT	23.987	24.843
Diesel	Ltrs/MT	0.853	1.008

B. Technology absorption

FORM –B

Disclosure of particulars with respect to technology absorption and Research & 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 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) Maintaining leading position in domestic market.
   b) Achieving better efficiency in fuel consumption.
   c) Better control on inputs and thereby improving the quality of the output to match with international specifications.
   d) Optimisation of resource usage and refinement of process technology.
   e) Usage of different combination of inputs in the manufacturing of coal tar pitch with improved quality.
   f) Developed the manufacturing process of Super Plasticizer.

3. **Future plan of action**
   The Company is planning to develop 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 (included in capital work-in-progress): Rs. 170.48 lacs.
   b) Recurring expenditure: Rs. 21.31 lacs.
   c) Total Research & Development expenditure: Rs. 191.79 lacs
   d) Total R & D expenditure as a percentage of total turnover: 0.51%.

C. Foreign exchange earnings and outgo

	Current year (Rs.)	Previous year (Rs.)
Total foreign exchange used	62,99,20,875	53,28,34,802
Total foreign exchange earned	68,92,90,825	11,24,71,627

For and on behalf of the Board

	Sd/-	Sd/-
Place: Kolkata	**B.L. Choudhary**	**S.S. Choudhary**
Date: 29 June 2009	*Managing Director*	*Executive Director*

Management Discussion and Analysis

Company background and nature of business

The Company is engaged in the processing of coal tar to produce coal tar pitch and several other value added by-products. Its manufacturing units are in Andhra Pradesh, Korba (CGS) and West Bengal. Coal tar is the primary input for distillation and manufacturing of various grades of pitch which is used as an input in aluminium and graphite. India is one of the leading producers of aluminium in the world with largest reserves of bauxite. Himadri is the largest supplier of coal tar pitch in the country enjoying 70% of the market share. The domestic market showed a 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 aluminium industries in India but there is also a scope for extended foreign trade by exporting surplus to Europe and the eastern countries.

The Company having two windmills in Maharashtra, with a capacity to produce wind energy of 2.5 MW. These windmills are fully operational and during 2008-09, they generated a revenue of Rs. 137.58 lacs with production of 36.66 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 a 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.

The Company has undertaken a project at Mahistikry in West Bengal for the expansion of existing coal tar distillation unit by increasing the current annual capacity of this unit from 91,000 MT to 1,72,000 MT. The implementation of the project is progressing as per schedule.

The Company further focused upon forward integration and completed the installation of plant to manufacture carbon black with an annual capacity of 50,000 MT, coupled with a power plant of 12 MW capacity based on waste heat gas which is expected to be commercially operational in the second quarter of the current financial year.

Management

The Company is managed by its Board of Directors. The Board's maximum strength remained nine with a combination of Executive and Non-Executive Directors. The Company has one Nominee Director on the Board, appointed by the Citigroup Venture Capital International Growth Partnership Mauritius Limited, one of the investors group has invested in shares of the Company, in terms of Investment Agreement.

Opportunities

Market perspective

There was a slowdown in the growth of the Indian economy during 2008-09 as compared to previous year's, due to a sharp decline in stock market, followed by the biggest scam in Indian corporate sector. The sentiment of market operators and confidence of investors declined. The Indian economy was adversely affected due to the downward trend in world economy followed by the drastic fall in Indian stock market. The pace of growth and development of manufacturing sectors now has shown some sort of positive tone and market is more or less becoming stable.

The management is optimistic about the future development particularly in export front. The Company, with a view to cater the demand in international market, is expanding 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 which is expected to commence commercial production by the beginning of the second quarter of the current financial year.

The Company undertook a project at Mahistikry in West Bengal for the expansion of existing coal tar distillation unit by increasing the current annual capacity from 91,000 MT to 1,72,000 MT. The implementation of the project is progressing as per schedule.

The cost of the above project is financed partly by Bank/International Finance Corporation (IFC) and partly through the issue of equity and internal accruals.

Production perspective

The management with a view to ensure better utilisation of expanded capacity of its Mahistikry plant, further embarked upon the expansion of the forward integration plant for manufacture of advanced carbon material. The Company enhanced its production capacity to cater the demand of the products in the domestic as well as the international market.

Financial perspective

The Company, during 2008-09, has been sanctioned of higher working capital from its bankers. Term loans from Citi bank and The Hong and Shanghai Banking Corporation were sanctioned for capital expenditures. The Company also invested the internal accruals in capital expenditures.

E. R. P.

The E.R.P system of the Company became fully operational. The management has been endeavouring to inter-connect the entire functions of the Company, including all departments of sales, production and finance with this E.R.P. system. 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 provides 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 environmental management system has been certified as per ISO 14001:2004.

Threats

Raw material cost

The main source of raw materials, the steel plants are geographically spread across the country. The management, with a view to minimise cost and ensure free flow of inputs, has undertaken massive expansion plans, nearer to the sources of raw materials, which will reduce the cost of transportation, ensure the adequate flow of raw materials and reduce dependence over imports.

Transportation

Transportation is another threat to coal tar distillation industry. It requires special tankers for handling 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 had adequate employee strength across all the units as on 31 March 2009. 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 active 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. Industrial relations at all the work units of the Company remained cordial and harmonious. The management provides ample opportunities to its employees for on work training.

The safety of employees is the top priority of Himadri. We, at Himadri, provide all safety measures to the employees at work place. The supervisors are well equipped with safety measures.

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 and 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. The Company, with a view to cover the risk of compliance with various rules and regulations of the Companies Act, SEBI and Listing Agreements, 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.

Internal control systems

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 IT 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 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 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.

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 draws 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.

Outlook

Despite certain market constraints, the outlook of the industry within which the Company operates, 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 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

The investors are hereby informed that statements in the Directors Report and the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations of forward looking statement within the meaning of applicable securities laws and regulations and the actual performance in the coming years could differ from what is 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. Company's Corporate Governance philosophy

At Himadri Chemicals & Industries Limited, we recognise the importance of Corporate Governance, 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 the trustee of its shareholders, acknowledging its responsibilities towards shareholders for creating and safeguarding their wealth. During 2008-09, the Board continued its endeavours 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 manner with long-term benefits to all. The business policies are based on ethical conduct, health, safety and a commitment towards building long-term sustainable relations.

2. Board of Directors

As stipulated in Clause 49 of the Listing Agreement with stock exchanges, the Company has an optimum combination of Executive and Non-Executive Directors. The present strength of the Board of Directors comprises eight Directors, including one Nominee appointed by the Citigroup Venture Capital International Growth Partnership Mauritius Limited. The Board comprises the Chairman who is a Non-Executive Director, three Executive Directors and four Non-Executive Directors, of which three are Independent. One Independent Director resigned with effect from 29 June 2009. The Board will fill up the vacancy in due time by appointing a suitable person.

The Company had no pecuniary relationship or transactions with the Non-Executive Independent Directors during 2008-09. The Independent Directors are not related to promoters or persons occupying management positions at the Board level or any level below the Board; they were neither employed for last three years nor are they 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 Director 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.

3. Meetings of the Board of Directors

During 2008-09, seven meetings of the Board of Directors were held i.e., on 19 April 2008, 16 June 2008, 25 July 2008, 27 August 2008, 29 October 2008, 29 January 2009 and 03 March 2009. The maximum time gap between any two meetings was 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. All the Board meetings were held at the Company's registered office. The agenda along with the explanatory notes were usually sent in advance to the Directors. Additional meetings of the Board were held as and when deemed necessary by the Board.

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 2009 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	7	Yes	4	–	–
2.	Mr. S. S. Choudhary	Promoter Executive	7	Yes	3	–	–
3.	Mr. B. L. Choudhary	Promoter Managing Director	7	Yes	5	–	–
4.	Mr. V. K. Choudhary	Promoter Executive	7	Yes	4	–	–
5.	Mr. S. K. Goenka	Independent Non-Executive	5	Yes	Nil	–	–
6.	Mr. S. K. Saraf	Independent Non-Executive	5	No	Nil	–	–
7.	Mr. S. K. Banerjee	Independent Non-Executive	5	No	3	–	–
8.	Mr. S. K. S. Narayan	Independent Non-Executive	0	No	1	–	–
9.	Mr. Ajay Relan **	Nominee of Citigroup	0	No	10	–	–
10.	Mr. Vivek Chhachhi**	Nominee of Citigroup	1	No	5	–	–

* (Excluding private companies, foreign companies and companies under Section 25 of the Companies Act, 1956)

** Mr. Vivek Chhachhi appointed on 27 August 2008, in place of Ajay Relan

Particulars of Directors retiring by rotation and seeking reappointment along with their particulars are given in the Notice convening the forthcoming Annual General Meeting.

4. Code of Conduct

Himadri is committed to conducting its business in accordance with all the applicable laws, rules and regulations and with the highest standards of business ethics.

5. 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 for preparing 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.

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 are 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 19 April 2008, 16 June 2008, 25 July 2008, 29 October 2008 and 29 January 2009. The Committee reviewed the Management Discussion and Analysis of financial condition and results of operation; Statement of significant related party transactions (as defined by the Audit Committee) submitted by the 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	Number of meetings attended
1	Mr. Surendra Kumar Goenka	Chairman Non-Executive Independent	5
2	Mr. Sushil Kumar Saraf	Member Non-Executive Independent	4
3	Mr. Shyam Sundar Choudhary	Member Executive Director	5

Terms of reference

The Audit Committee reviews the internal audit system of the Company in consultation with the statutory auditors periodically and discusses their findings. The role of the Audit Committee is as follows:

a) Review the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible

b) Recommending the appointment and reappointment of the statutory auditors and fixing their remuneration

c) Reviewing with the management the annual financial statements before submission to the Board, for approval, with particular reference to

- Matters required to be included in the Directors' responsibility statement of the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956
- Changes, if any, in the accounting policies and reasons for the same
- Major accounting entries based on exercise of judgment by the management
- Significant adjustments made in the financial statements arising out of audit findings
- Compliance with listing and other requirements relating to financial statements
- Disclosures of related party transactions
- Qualifications in the draft audit report

d) Reviewing with the management, the quarterly financial statements before submission to the Board for approval

e) Reviewing with the management, performance of statutory and internal auditors and adequacy of the internal control systems

f) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

g) Discussion with the auditors on any significant findings and follow-up thereof.

h) Reviewing the findings of any internal investigations by the auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting thereof.

i) Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

j) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of any non-payment of declared dividends) and creditors.

k) To review the functioning of the whistle blower mechanism, in case the same exists.

l) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

6. Remuneration Committee

a. Constitution

The Company constituted, though not mandatory, a Remuneration Committee comprising 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 March 2009 during the year and reviewed the remuneration paid/payable to its Wholetime Directors and Executives.

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 salary, perquisite and incentive. 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 objective of the remuneration policy is to motivate the deserving employees in improving their performance, along with recognising their contributions, retain the best talent in the organisation and record the merits.

c. Remuneration to Directors

No remuneration is paid to any Independent/Non-Executive Director, 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 2009 is given hereunder:

Sl. No.	Name of the Directors	Designation	Gross salary (Rs.)
1	Mr. S. S. Choudhary	Executive Director	9,60,000
2	Mr. B. L. Choudhary	Managing Director	9,60,000
3	Mr. V. K. Choudhary	Executive Director	9,60,000

d. Remuneration to Independent/Non-Executive Directors (sitting fee)

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

7. Share Transfer Committee

The Board has formed a Share Transfer Committee comprising 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. Further it reviews the investors' grievances pertaining to share transfer, dematerialisation, rematerialisation of shares, non-receipt of dividend, balance sheets and other related matters concerning the shareholders/investors and also give directions from time to time for effective settlement of pending issues.

In accordance with Clause 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 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 coordinates with the Company's Registrar and Share Transfer Agents. During the financial year ended 31 March 2009, the Committee met 17 times.

The Company confirms that there were no share transfers lying pending as on 31 March 2009, and all request for dematerialisation and rematerialisation of shares as on that date were confirmed/rejected into the NSDL/CDSL system.

The minutes of the Share Transfer Committee meetings were reviewed by the Board from time to time.

8. Shareholders' Grievance Redressal Committee

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

There were two pending complaints at the beginning of the year and during the year under review, total 101 complaints were received from investors, of which 100 complaints were replied/ resolved to the satisfaction of the investors and the balance three remained pending as on 31 March 2009.

Name and designation of Compliance Officer

Mr. B. L. Sharma, Company Secretary was designated as the 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 - 700001 or can email at: investors@himadri.com. The members who desire to contact over telephone may do so at 91- 033- 2230 9953/ 4363.

9. 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
2005-06	18th AGM	18 September 2006	"Kala Kunj" Kala Mandir, 48 Shakespeare Sarani, Kolkata- 700 017	10.00 am
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

Details of special resolution (s) passed during last three years in Annual General Meetings (AGM)

At 18th AGM held on 18 September 2006, no special resolution was passed.

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 the 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 the 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, 1956
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 USD500 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 USD500 millions.

b) Postal ballot

During 2008-09, the Company obtained the approval of its members through postal ballot for alteration in Object Clause of Memorandum of Association of the Company by way of Special Resolution. The Clause (4A) and Clause (4B) were newly inserted to the Object Clause after the clause 4. The salient features of the Postal Ballot are given hereunder:

- The Board of Director of the Company at its meeting held on Friday the 25 July 2008, 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 29 August 2008 and such dispatch was made under certificate of posting on 30 August 2008.
- Notice of dispatch of Postal Ballot was published on 9 September 2008 in "The Financial Express" (English) and "Arthik Lipi (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 30 September 2008.
- 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 10 October 2008 and the results of the Postal Ballot process was declared by the Chairman on 11 October 2008 and same was also intimated to the Stock Exchanges concerned.
- A summary of the postal ballot forms received is given hereunder:

Serial number	Particulars	Number of postal forms received	Number of shares	% to the paid-up capital
a.	Total postal ballot received	40	1,87,20,289	58.77%
b	Less: Invalid ballot received	0	0	0
c	Net valid postal ballot received	40	1,87,20,289	58.77%
d	Postal ballot forms with assent for resolution	40	1,87,20,289	58.77%
e	Postal ballot forms with dissent/against the resolution	0	0	0

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.

10. 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.

The accounts and Auditors' Report of the wholly-owned subsidiary company was placed before and reviewed by the Board of Directors. The copy of minutes of the Board meetings of the wholly-owned subsidiary company were reviewed by the Board.

11. 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 is 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 2008-09 that were prejudicial to the Company's interest.

The Board 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 were 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, among others, that may have potential conflict with the Company's interest at large. Related party transactions are included in the Notes to the annual accounts of the Company for the year ended 31 March 2009.

b. Secretarial audit

A qualified practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with the National Securities Depository Limited (NSDL) and the 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, save and except 4,12,000 equity shares issued upon conversion of warrants on 18 June 2009, these shares are yet to be credited into DEMAT account of the allottee.

c. Statutory compliances, penalties and 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 adopted non-mandatory requirements under Clause 49 of the Listing Agreement which are reviewed by the management from time to time.

12. Means of communication

The Company's Board of Directors publish the unaudited financial results quarterly 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 is taken on record.

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

13. General shareholder information

13.01 The Annual General Meeting is proposed to be held at "Bharatiya Bhasha Parishad" 36-A, Shakespeare Sarani, Kolkata - 700 017 on Thursday, 17 September 2009 at 10.00 am.

13.02 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 21st 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.

13.03 Date of book closures

The Share Transfer and Register of Members of the Company will remain closed from 12 September 2009 to 17 September 2009 (both days inclusive).

13.04 Financial calendar for 2008-09

Board meeting for consideration of audited accounts and recommendation of dividend	29 June 2009
Date, time and venue of AGM	17 September 2009 10.00 am "Bharatiya Bhasha Parishad" 36-A Shakespeare Sarani, Kolkata - 700017
Posting of Annual Report	26-30 days before the meeting
Book closure	From 12 September 2009 to 17 September 2009 (both days inclusive)
Last date for receipt of proxy forms	48 hrs before the meeting
Tentative date of dividend warrants	Within 30 days from the date of AGM

13.05 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 Association 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- 400051	HCIL

The Company remitted the listing fees up to date to all stock exchanges as mentioned herein above.

13.06 Market price data

Monthly high / low market price of the shares during the year 2008-09 at the Bombay Stock Exchange Ltd. and at National Stock Exchange of India Ltd. were as under

Months	Market price (BSE)		Market price (NSE)	
	High	Low	High	Low
April 2008	465.00	371.15	460.00	380.15
May 2008	442.00	381.20	450.00	377.95
June 2008	460.00	351.00	464.85	355.10
July 2008	398.85	293.50	400.00	277.00
August 2008	344.00	283.00	370.95	263.50
September 2008	381.00	281.05	379.00	265.65
October 2008	324.50	106.80	326.80	112.00
November 2008	166.15	110.85	166.85	107.75
December 2008	128.40	107.00	128.50	108.25
January 2009	133.80	78.00	133.10	72.25
February 2009	107.00	70.65	106.90	71.00
March 2009	95.40	67.00	96.45	68.00

13.07 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 and 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 made necessary arrangements with Depositories of NSDL/CDSL for dematerialisation of shares. M/s. S. K. Computers, was appointed as a common agency to act as transfer agents for both physical and demat shares.

13.08 Share transfer system

The Company ensures that all transfers are duly affected within a period of one month from the date of their lodgement. The Board constituted a Share Transfer Committee for approval of the transfers which meets on regular intervals. Share transfer, dividend payments 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 was 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).

13.09 Nomination facilities

The Companies (Amendment) Act, 1999 introduced through the new Section 109A, the facility of nomination of 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 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.

13.10 Distribution of shareholding as on 31 March 2009

Number of shares	Number of shareholders	% of total number of shareholders	Number of shares held	% of the total number of shares
Up to 500	15,091	94.56	19,61,720	6.16
501 - 1000	443	2.78	3,53,816	1.11
1001 - 2000	195	1.22	2,85,185	0.90
2001 - 3000	60	0.38	1,54,941	0.47
3001 - 4000	30	0.19	1,08,234	0.34
4001 - 5000	26	0.16	1,19,615	0.38
5001 - 10000	39	0.24	2,66,387	0.84
10001 - 50000	35	0.22	6,45,242	2.03
50001 - 100000	11	0.07	8,60,482	2.70
100000 and above	29	0.18	2,70,95,635	85.07
Total	**15,959**	**100.00**	**3,18,51,257**	**100.00**

13.11 Shareholding pattern as on 31 March 2009

Category of shareholders	Number of shareholders	Number of shares	% of holding
A) Promoter group			
a) Directors and relatives	8	12,72,860	4.00
b) Bodies corporate	8	1,53,81,047	48.29
Sub-total (A)	**16**	**1,66,53,907**	**52.29**
B) Non-promoters			
a) Mutual funds/UTI	2	3,00,823	0.94
b) Financial institutions / banks	5	2,000	0.01
c) Foreign institutional investors	1	70,121	0.22
d) Foreign company	1	47,37,615	14.87
e) Bodies corporate	389	56,42,658	17.72
f) Individuals	15,545	44,44,133	13.95
Sub-total (B)	**15,943**	**1,51,97,350**	**47.71**
Total (A) + (B)	**15,959**	**3,18,51,257**	**100.00**

13.12 Dematerialisation of shares

The Company's shares are under compulsory demat list of SEBI and it joined as a member of the depository services with the National Security Depository Limited (NSDL) and the 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 2009, out of 3,18,51,257 equity shares of the Company, 3,06,65,541 shares were held in electronic form, representing 96.28% of the total paid-up capital, whereas balance of 11,85,716 shares were held in physical form representing 3.72% to the total paid-up share capital of the Company.

13.13 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 (Howrah) 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 and 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

13.14 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.

For and on behalf of the Board

	Sd/-	Sd/-
Place: Kolkata	**B.L. Choudhary**	**S.S. Choudhary**
Date: 29 June 2009	*Managing Director*	*Executive Director*

CEO / CFO Certification

As required by sub-clause V of Clause 49 of the Listing Agreement with the Stock Exchanges, we have certified to the Board that for the financial year ended 31 March 2009, the Company has complied with the requirements of the said sub-clause.

For Himadri Chemicals & Industries Limited

	Sd/-	Sd/-
Place: Kolkata	**B.L. Choudhary**	**Jatin Kapoor**
Date : 29 June 2009	*Managing Director*	*Chief Financial Officer*

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 affirmed compliance with the Codes of Conduct as applicable to them for the financial year ended 31 March 2009.

For Himadri Chemicals & Industries Limited

Sd/-

Place: Kolkata **B.L. Choudhary**
Date : 29 June 2009 *Managing Director*

Auditors Certificate on Corporate Governance

To
The Members of
Himadri Chemicals & Industries Ltd.

We have examined the compliance of conditions of Corporate Governance by **Himadri Chemicals & Industries Limited** for the year ended 31 March 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement 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 representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the 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

Sd/-
B.K. Newatia
Partner
M. No. 50251

Place: Kolkata
Dated: 29 June 2009

Financial section

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 2009 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 2009 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 2009,

      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,

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

Place: Kolkata
Dated: The 29th day of June, 2009

ANNEXURE TO THE AUDITORS' REPORT

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

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. 1200 lacs & Rs. 1050 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 2009 net of discount, to be written off over the period of Debentures was Rs. 2923.97 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) The maintenance of cost records under section 209(1)(d) of the Companies Act,1956, has not been prescribed by the Central Government in respect of the products of the Company.

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 2009, 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	Commercial Tax Authority
Custom Duty	28.83	CESTAT
Service Tax	38.84	Commissioner (Appeal)
Excise duty	4.50	Commissioner (Appeal)

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) During the year the Company has made preferential allotment of 85,000 equity shares of Rs. 10 each, against the conversion of preferential convertible warrants, at a price of Rs. 229.25 per share to a Company covered under register maintained under Section 301 of the Companies Act, 1956. According to the information & explanations given to us these shares are issued in terms of Securities And Exchange Board Of India (Disclosure And Investor Protection) Guidelines, 2000 and accordingly, the prices at which these shares are issued are not prima facie prejudicial to the interest of the Company.

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,

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

Place: Kolkata
Dated: 29 June 2009

BALANCE SHEET As at 31st March, 2009

(Rs. in Lacs)

	Schedule	As at 31.03.2009	As at 31.03.2008
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	3,185.13	3,151.13
b) Deposit against Share Warrants [Refer Note No. 13 of Schedule - 20]		2,588.46	2,666.66
c) Reserves & Surplus	2	32,615.35	28,282.35
2. Loan Funds			
a) Secured Loans	3	31,272.60	18,466.27
b) Unsecured Loans	4	3,193.97	2,876.42
3. Deferred Tax Liability [Refer Note No. 22 of Schedule - 20]		2,613.44	1,628.95
Total		**75,468.95**	**57,071.78**
II. APPLICATION OF FUNDS			
1. Fixed Assets	5		
a) Gross Block		32,617.84	29,897.21
b) Less : Depreciation		6,181.49	4,609.21
c) Net Block		26,436.35	25,288.00
d) Capital Work in Progress [Refer Note No. 6 of Schedule - 20]		25,618.22	4,963.09
2. Investments	6	199.96	205.96
3. Current Assets,Loans & Advances			
a) Inventories	7	9,555.08	12,825.01
b) Sundry Debtors	8	7,484.79	6,829.92
c) Cash & Bank Balances	9	959.61	1,608.76
d) Loans & Advances	10	11,183.70	9,543.07
		29,183.18	30,806.76
Less :Current Liabilities & Provisions			
a) Current Liabilities	11	4,987.85	1,798.69
b) Provisions	12	1,110.62	2,579.90
		6,098.47	4,378.59
Net Current Assets		23,084.71	26,428.17
4. Miscellaneous Expenditure	13	129.71	186.56
Total		**75,468.95**	**57,071.78**
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

Sd/-
B. K. Newatia
Partner
Membership No.: 050251

Sd/-
B. L. Sharma
Company Secretary

Sd/-
S. S. Choudhary
Executive Director

Sd/-
B. L. Choudhary
Managing Director

Place: Kolkata
Dated : 29th June, 2009

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2009

(Rs. in Lacs)

	Schedule	Year ended 31.03.2009	Year ended 31.03.2008
INCOME			
Sales	14	43,538.54	43,001.33
Less : Taxes & Duties		5,990.21	6,675.64
Net Sales		37,548.33	36,325.69
Other Income	15	394.32	545.11
Total		**37,942.65**	**36,870.80**
EXPENDITURE			
Decrease/(Increase) in Stocks	16	(781.27)	(2,035.16)
Raw Materials Consumed	17	20,336.61	22,050.84
Manufacturing & Other Expenses	18	3,818.81	3,829.06
Interest & Other Financial Charges	19	1,902.29	1,114.36
Foreign Exchange Loss/(Gain)		1,716.37	(0.39)
Depreciation		1,572.28	1,314.95
Total		**28,565.09**	**26,273.66**
Profit Before Tax & Exceptional Item		9,377.56	10,597.14
Less: Exceptional Item [Refer Note No. 11 of Schedule - 20]		3,060.21	–
Profit Before Tax		6,317.35	10,597.14
Provision for Taxation :			
Current Tax		710.00	1,816.00
Fringe Benefit Tax		22.00	23.00
Deferred Tax		984.49	465.13
MAT credit entitlement		(76.79)	–
Profit After Tax		4,677.65	8,293.01
Surplus from earlier year		8,740.69	4,185.56
Income-tax for earlier years		–	(0.54)
Amount Available For Appropriation		13,418.34	12,478.03
APPROPRIATIONS			
Transfer to General Reserve		1,000.00	3,000.00
Dividend for earlier year		6.80	–
Proposed Dividend		322.63	630.23
Corporate Dividend Tax		55.99	107.11
Balance Carried To Balance Sheet		**12,032.92**	**8,740.69**
Earnings Per Share(Rs.) : [Refer Note No. 21 of Schedule - 20] (Face Value Rs.10 each)			
Basic		14.70	26.32
Diluted		13.51	25.42
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

Sd/-	Sd/-	Sd/-	Sd/-
B. K. Newatia	**B. L. Sharma**	**S. S. Choudhary**	**B. L. Choudhary**
Partner	*Company Secretary*	*Executive Director*	*Managing Director*
Membership No.: 050251			

Place: Kolkata
Dated : 29th June, 2009

CASH FLOW STATEMENT For the year ended 31 March 2009

(Rs. in Lacs)

	Year ended 31.03.2009		Year ended 31.03.2008	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax & Extra-Ordinary Items		6,317.35		10,597.14
Adjustments for:				
Depreciation	1,572.28		1,314.95	
Miscellaneous Expenditure Written Off	61.85		60.85	
Interest Paid	1,325.66		759.33	
Interest Received	(95.77)		(239.66)	
Dividend Received	(35.70)		(2.17)	
Loss on redemption of Mutual Funds	2.23		0.13	
Proportionate Discount on Debentures W/Off	317.55		283.07	
Provision for Gratuity	(3.56)		1.00	
		3,144.54		2,177.50
Operating Profit before Working Capital Changes		9,461.89		12,774.64
Adjustments for:				
(Increase)/Decrease in Trade & Other Receivables	(2,958.78)		(5,872.95)	
(Increase)/Decrease in Inventories	3,269.93		(4,568.14)	
Increase/(Decrease) in Trade & Other Payables	62.40		487.06	
		373.55		(9,954.03)
Cash generated from operations		9,835.44		2,820.61
Direct Tax Paid		(1,098.92)		(2,016.48)
Prior Year Adjustments		–		(0.54)
Net Cash from Operating Activities		8,736.52		803.59
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets (including Capital Work-in-Progress)	(21,114.43)		(12,072.01)	
Interest Income	95.77		239.66	
Dividend Income	35.70		2.17	
Capital investment subsidy received	150.00		–	
Sale of investments	5,007.34		573.37	
Purchase of Investments	(5,003.57)		(500.00)	
Net Cash used in Investing Activities		(20,829.19)		(11,756.81)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds of Shares issued on conversion of warrants	701.25		–	
Deposit against Share Warrants	–		2,588.46	
Increase/(Decrease) in Long Term Borrowings	10,324.88		(675.51)	
Increase/(Decrease) in Working Capital Borrowings	2,481.45		3,684.73	
Deferred Sales Tax	–		(15.88)	
Share Issue Expenses	(5.00)		(20.11)	
Interest Paid	(1,325.66)		(759.33)	
Dividend Paid	(637.04)		(1,575.56)	
Dividend Tax Paid	(107.11)		(267.77)	
Net Cash from Financing Activities		11,432.77		2,959.03
Net Increase/(Decrease) in Cash/Cash Equivalents		(659.90)		(7,994.19)
Cash & Cash Equivalents at the beginning of the year (Refer Schedule 9 to the Accounts)		1,564.96		9,559.15
Cash & Cash Equivalents at the end of the year (Refer Schedule 9 to the Accounts)		905.06		1,564.96

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

Sd/-	Sd/-	Sd/-	Sd/-
B. K. Newatia	**B. L. Sharma**	**S. S. Choudhary**	**B. L. Choudhary**
Partner	*Company Secretary*	*Executive Director*	*Managing Director*
Membership No.: 050251			

Place: Kolkata
Dated : 29 June 2009

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Lacs)

		As at 31.03.2009		As at 31.03.2008
1 SHARE CAPITAL				
Authorised				
5,00,00,000 Equity Shares of Rs.10/- each (Previous year 4,00,00,000 Equity Shares)		5,000.00		4,000.00
Issued, subscribed and paid-up				
3,18,51,257 Equity Shares of Rs.10/- each fully paid up (Previous year 3,15,11,257 Equity Shares)				
(Out of which, 1,55,42,857 Equity Shares issued for consideration otherwise than in cash)		3,185.13		3,151.13
		3,185.13		**3,151.13**
2 RESERVES AND SURPLUS				
Capital Reserve				
Sales Tax Capital Subsidy		14.86		14.86
Capital Investment Subsidy				
As per last account	43.84		43.84	
Add : Received during the year	150.00		–	
		193.84		43.84
Amalgamation Reserve		61.30		61.30
Securities Premium				
As per Last Account	13,404.22		13,404.22	
Add : Received during the year	745.45		–	
		14,149.67		13,404.22
General Reserve				
As per Last Account	6,017.44		3,020.00	
Less : Provision for Gratuity as on 01.04.2007	–		(2.56)	
Add : Transferred from Profit & Loss A/C	1,000.00		3,000.00	
		7,017.44		6,017.44
Hedging Reserve[Refer Note No. 27 of Schedule - 20]		(854.68)		–
Surplus as per Profit & Loss A/c annexed		12,032.92		8,740.69
		32,615.35		**28,282.35**
3 SECURED LOANS				
[Refer Note No. 1 of Schedule 20 for securities]				
Term Loans				
– From Banks		14,255.44		3,773.55
– From Non Banking Finance Company		1,050.00		1,200.00
{Repayable within one year Rs. 4373.60 lacs (previous year Rs. 923.86 Lacs)}				
Working Capital Loans from Banks		7,224.04		9,923.08
Packing Credit from Banks		4,246.55		–
Buyer's Credit from Banks		4,494.53		3,560.59
Loan against Equipments & Vehicles		2.04		9.05
		31,272.60		**18,466.27**

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Lacs)

		As at 31.03.2009		As at 31.03.2008
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		9,376.03		9,693.58
		2,923.97		2,606.42
Sales Tax Deferrment		270.00		270.00
		3,193.97		2,876.42

5 FIXED ASSETS

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2008	Addition during the year	Deletion during the year	Total Upto 31.03.2009	As on 01.04.2008	Provided during the year	Adjusted during the year	Total Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
Land	1,208.92	36.64	–	1,245.56	–	–	–	–	1,245.56	1,208.92
Factory Shed & Building	2,698.26	84.36	–	2,782.62	402.09	98.92	–	501.01	2,281.61	2,296.17
Plant & Machinery	24,303.81	2,529.20	–	26,833.01	3,604.39	1,357.30	–	4,961.69	21,871.32	20,699.42
Laboratory Equipment	204.66	0.64	–	205.30	70.25	8.53	–	78.78	126.52	134.41
Office Equipment	72.88	6.95	–	79.83	31.00	4.26	–	35.26	44.57	41.88
Furniture & Fixture	170.02	5.52	–	175.54	65.45	12.90	–	78.35	97.19	104.57
Fire Extinguisher	24.94	2.12	–	27.06	4.56	1.25	–	5.81	21.25	20.38
Vehicles	273.44	18.25	–	291.69	120.64	25.34	–	145.98	145.71	152.80
Tubewell	10.62	–	–	10.62	1.37	0.50	–	1.87	8.75	9.25
Electrical Installation	570.28	26.42	–	596.70	57.81	30.24	–	88.05	508.65	512.47
Cycle	0.60	0.21	–	0.81	0.26	0.04	–	0.30	0.51	0.34
Computers	213.70	10.32	–	224.02	133.19	22.25	–	155.44	68.58	80.51
Tankers	145.08	–	–	145.08	118.20	10.75	–	128.95	16.13	26.88
Total	**29,897.21**	**2,720.63**	**–**	**32,617.84**	**4,609.21**	**1,572.28**	**–**	**6,181.49**	**26,436.35**	**25,288.00**
Previous Year Total	21,857.72	8,039.49	–	29,897.21	3,294.26	1,314.95	–	4,609.21	25,288.00	

Note:

Original Cost as at 31 March 2009 of Vehicles includes Rs. 107.72 lacs (Previous Year- Rs. 89.26 lacs) acquired under Auto Finance Scheme from Banks, of which Rs. 53.26 lacs (Previous Year- Rs. 62.71 lacs) was outstanding as at 31 March 2009.

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Lacs)

	Face Value (Rs.)	As at 31.03.2009		As at 31.03.2008	
		No. of Shares	Amount	No. of Shares	Amount
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., Hongkong (1 HK$=5.657)	1 HK$	10,000	0.57	10,000	0.57
Other Than Trade					
Quoted, Fully Paid					
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 Coke & Petro Ltd.	10	–	–	60,000	6.00
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
Total			**199.96**		**205.96**
Aggregate Book Value of Unquoted Investments			161.14		167.14
Aggregate Book Value of Quoted Investments			38.82		38.82
Aggregate Market Value of Quoted Investments			42.52		49.76

(Rs. in Lacs)

	As at 31.03.2009	As at 31.03.2008
7 INVENTORIES		
(as taken, valued & certified by the management)		
Finished Goods*	4,009.37	6,223.18
Raw Materials	5,499.49	6,283.80
Materials In Transit	25.41	185.74
Packing Materials	20.81	118.61
Furnace Oil	–	13.68
	9,555.08	**12,825.01**

* Includes stock of Rs. 65.13 Lacs of Trial run Production

8 SUNDRY DEBTORS		
(Unsecured, Considered Good)		
Debts outstanding for a period exceeding six months	811.83	237.05
Other Debts	6,672.96	6,592.87
	7,484.79	**6,829.92**

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Lacs)

	As at 31.03.2009	As at 31.03.2008
9 CASH & BANK BALANCES		
Cash in Hand (As certified by Management)	58.61	83.22
Cheques in Hand	9.66	444.78
Balances with Scheduled Banks		
In Current Accounts	51.61	70.87
In Fixed Deposit Accounts [Refer Note Nos. 5 & 8 of Schedule - 20]	785.18	966.09
In Unclaimed Dividend Accounts	54.55	43.80
	959.61	1,608.76

	As at 31.03.2009	As at 31.03.2008
10 LOANS & ADVANCES		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received		
To Subsidiary	3.25	1.23
To Others	6,632.40	4,540.40
Incentive Receivable	300.00	300.00
Balance with Central Excise & Cenvat Receivable	2,474.08	2,559.34
Sales Tax Deposit & VAT Receivable	456.30	146.28
Income Tax Payments	807.90	1,565.17
Income Tax Refundable	32.63	15.44
Deferred MAT Credit Entitlement [Refer Note No. 18 of Schedule - 20]	76.80	–
Earnest Money & Security Deposits	400.34	415.21
	11,183.70	9,543.07

	As at 31.03.2009	As at 31.03.2008
11 CURRENT LIABILITIES		
Sundry Creditors		
Due to Micro, Small & Medium Enterprises	–	–
Due to Others:		
for Capital Goods	2,409.75	148.42
Others	927.97	690.29
Unclaimed Dividend*	54.55	43.80
Derivative Contracts Payable [Refer Note No. 27 of Schedule - 20]	854.68	–
Other Liabilities	661.53	916.18
Advances from customers	79.37	–
	4,987.85	1,798.69

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

	As at 31.03.2009	As at 31.03.2008
12 PROVISIONS		
Provision for Taxation	732.00	1,839.00
Provision for Gratuity [Refer Note No. 14 of Schedule - 20]	–	3.56
Proposed Dividend	322.63	630.23
Corporate Dividend Tax	55.99	107.11
	1,110.62	2,579.90

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Lacs)

	Year ended 31.03.2009	Year ended 31.03.2008
13 MISCELLANEOUS EXPENDITURE		
(To the extent not written off/or adjusted)		
Share Issue Expenses		
As per last account	186.56	227.30
Add: During the year	5.00	20.11
	191.56	247.41
Less: Amount Written Off during the year	61.85	60.85
	129.71	**186.56**

	Year ended 31.03.2009	Year ended 31.03.2008
14 SALES		
Sales:		
Local	35,732.84	38,433.08
Export	7,805.70	4,568.25
	43,538.54	**43,001.33**

	Year ended 31.03.2009	Year ended 31.03.2008
15 OTHER INCOME		
Interest on Fixed Deposits with Bank (TDS - Rs. 20.76 Lacs ; P.Y. Rs. 51.67 Lacs)	95.77	239.66
Dividend		
– on Long Term Investments (other than trade)	0.26	0.33
– on Current Investments (other than trade)	35.44	1.84
Profit on sale of shares (Long Term, other than trade)	–	99.22
Warranty & other Claims	–	203.57
Consultancy Income (TDS- Rs.22.41 Lacs; P.Y. Rs.Nil)	252.08	–
Miscellaneous Income	10.77	0.49
	394.32	**545.11**

	Year ended 31.03.2009	Year ended 31.03.2008
16 DECREASE/(INCREASE) IN STOCKS		
Opening Stock of Finished Goods	6,223.18	4,188.02
Closing Stock of Finished Goods	3,944.24	6,223.18
	2,278.94	(2,035.16)
Less : Write Down of Inventory to NRV considered as exceptional item	3,060.21	–
Decrease/(Increase) in Stocks	**(781.27)**	**(2,035.16)**

	Year ended 31.03.2009	Year ended 31.03.2008
17 RAW MATERIALS CONSUMED		
Opening Stock	6,283.80	3,786.47
Add: Purchases	19,552.30	24,548.17
	25,836.10	28,334.64
Less: Closing Stock	5,499.49	6,283.80
	20,336.61	**22,050.84**

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Lacs)

	Year ended 31.03.2009	Year ended 31.03.2008
18 MANUFACTURING & OTHER EXPENSES		
Consumable Stores & Spares	68.12	81.22
Power & Fuel	943.07	1,055.95
Employees' Emoluments [Refer Note No. 15 of Schedule - 20]		
a) Salaries, Wages & Allowances	416.09	312.06
b) Contribution To Provident & Other Funds	16.10	16.07
c) Gratuity	4.91	8.62
d) Welfare & Other Amenities	54.19	28.29
Excise Duty on Variation in Stocks [Refer Note No. 9 of Schedule - 20]	(287.47)	191.75
Rent	17.20	15.59
Rates & Taxes	44.06	13.17
Repairs To:		
Factory Shed & Building	23.26	57.64
Plant & Machinery	126.51	176.49
Others	76.25	27.65
Insurance	59.14	111.51
Rebates & Discount	209.54	71.02
Miscellaneous Expenses	823.47	645.69
Share Transfer Expenses	1.86	1.82
Auditors' Remuneration [Refer Note No. 16 of Schedule - 20]	9.13	6.90
Packing Expenses	206.23	120.64
Freight & Forwarding Expenses	861.30	826.00
Commission on sales (other than sole selling agents)	81.77	–
Loss on redemption of Mutual Fund (Short term)	2.23	0.13
Share Issue Expenses W/off	61.85	60.85
	3,818.81	**3,829.06**

19 INTEREST & OTHER FINANCIAL CHARGES		
Interest :		
On Term Loans	451.43	350.60
Others	874.23	408.73
Discount on Debentures W/Off	317.55	283.07
Bank Charges	259.08	71.96
	1,902.29	**1,114.36**

SCHEDULES FORMING PART OF THE ACCOUNTS

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. Domestic sales are accounted when goods are dispatched to the customers. Export sales are recognised on the date the Company ships the goods as evidenced by the bill of lading. 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 accounted for in the year of 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 Head Office, Kolkata, Liluah Unit – II, Howrah , Mahistikry, Hooghly (W.B.) and at Korba, Chattisgarh is provided on straight line method and on other fixed assets is provided on written down value 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.

SCHEDULES FORMING PART OF THE ACCOUNTS

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

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.

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.

   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.

SCHEDULES FORMING PART OF THE ACCOUNTS

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

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 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 during developmental and 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 date of installation, is capitalised and added pro-rata to the cost of fixed assets.

15. **Taxes on Income:**

Tax expense comprises of current tax, deferred tax and fringe benefit tax.

a) Current tax and fringe benefit 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.

SCHEDULES FORMING PART OF THE ACCOUNTS

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

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.

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 are being amortised over a period of 5 years u/s 35D of the Income-tax Act, 1961.

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 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 ongoing expansion) 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 is secured by way of first exclusive charge on all Plant and Machineries and other moveable fixed assets, both present and future, of the Company situated at Carbon Black Plant at Mahistikry, Hooghly, West Bengal.

c) Term Loan from The Hong Kong and Shanghai Banking Corporation Ltd is secured by way of first exclusive charge on specific movable fixed assets of the Company relating to ongoing expansion of Coal Tar Distillation plant at Mahistikry, Hooghly, West Bengal.

d) 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 ongoing expansion. It is further secured by way of first pari-passu charge on the leasehold land of the Company situated at Mahistikry, Hooghly, West Bengal.

e) Loan against Equipments & Vehicles is secured by charge on specific assets.

f) Working Capital loans including buyer's credit 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 and Yes Bank Limited 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 including buyer's credit 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 including buyer's credit obtained from Citibank N.A., The Hong Kong and Shanghai Banking Corporation Ltd, Yes Bank Limited and DBS Bank Limited 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

SCHEDULES FORMING PART OF THE ACCOUNTS

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

(Andhra Pradesh) and second pari-passu charge on the entire fixed assets of the Company located at Mahistikry, Hooghly (West Bengal).

iii) Working Capital Loan from Axis Bank Ltd is secured by second pari-passu charge on the entire fixed assets of the Company.

iv) 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 31.03.2009	As at 31.03.2008
a) Bank Guarantees	554.65	876.29
b) Letter of Credit outstanding	685.43	4,107.66
c) 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	43.35	1.79

3. Estimated amount of commitments on capital account (net of advances) - Rs. 204.98 lacs (Previous Year Rs. 4008.20 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. 4837.06 lacs

5. Fixed Deposits of Rs. 150.98 lacs (Previous Year Rs 161.87 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)

	2008-09		2007-08	
Opening Balance		242.49		38.24
Add: Incurred during the year				
Consumables Stores and Spares	19.16		6.06	
Employees' Emoluments	119.00		34.91	
Raw Materials Consumed	60.77		–	
Excise Duty on Variation in Stock	8.21		–	
Power & Fuel	58.21		2.66	
Rates & Taxes	15.98		0.44	
Repairs & Maintenance	12.19		5.33	
Insurance	13.01		–	
Interest on Term Loan	1106.64		–	
Bank Charges	1.55		3.62	
Rent	–		1.84	
Miscellaneous Expenses	430.59		211.21	
	1845.31		266.07	
Less: Sales of trial run production	(41.55)		–	
Less: Closing Stock of trial run production	(65.13)	1738.63	–	266.07
		1980.92		304.31
Less: Capitalised during the year		(65.72)		(61.82)
		1915.40		**242.49**

SCHEDULES FORMING PART OF THE ACCOUNTS

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

ii. Rs. 2907.77 lacs on account of advances against capital expenditure (Previous year Rs. 2329.30 lacs).

iii. Rs. 594.08 lacs on account of stock of stores and spares (Previous year Rs. 141.53 lacs).

7. Research and Development expenses aggregating to

   a. Rs. 21.31 lacs in the nature of revenue expenditure

   b. Rs. 170.48 lacs in the nature of capital expenditure

   have been included under the appropriate account heads.

8. Fixed Deposits include interest accrued but not due amounting to Rs. 5.65 lacs (Previous year Rs.13.49 lacs)

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

10. Details of Investments purchased and sold during the year

	2008-09		2007-08	
	Units	Purchase Value (Rs. in lacs)	Units	Purchase Value (Rs. in lacs)
LIC MF Income Plus Fund – Daily Dividend Plan	25000000.000	2500.00		
LIC MF Interval Fund – Monthly Dividend Plan	25013424.662	2503.57		
LIC MF Floating Rate Fund – STP – Dividend Plan			4921066.100	500.00

11. Exceptional item represents write down of inventories to Net Realisable Value.

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. During the year the Company has allotted 340,000 Equity Shares of Rs. 10 each at a premium of Rs. 219.25 per share on conversion of equal number of warrants issued in the year 2006-07. The Company has received balance consideration of Rs. 701.25 lacs during the year on conversion of the said warrants, which has been utilised for capital expenditure.

    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., against which it had received Rs. 2588.46 lacs. Each warrant carries 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.

    Amount received against the said warrants outstanding as on 31 March 2009 has been shown as "Deposit against Share Warrants" in the Balance Sheet.

14. 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)

	2008-09	2007-08
Employer's Contribution to Provident and Other Funds	16.10	16.07

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 2009 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 ACCOUNTS

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

(Rs. in Lacs)

	Gratuity (Funded)	
	31.03.2009	31.03.2008
i. Reconciliation of Opening and Closing Balances of the present value of Defined Benefit Obligation:		
Defined Benefit obligation at beginning of the year	21.38	12.00
Current Service Cost	2.27	3.92
Interest Cost	1.71	0.96
Actuarial (Gain)/Loss	(2.30)	4.92
Benefits paid	(4.94)	(0.42)
Settlement cost	(0.30)	–
Defined Benefit obligation at the year end	**18.12**	**21.38**
ii. Reconciliation of Opening and Closing Balances of fair value of plan assets:		
Fair value of plan assets at beginning of the year	17.82	9.44
Expected return on plan assets	1.60	1.18
Actuarial Gain/(Loss)	0.43	–
Employers' contribution	8.47	7.62
Benefits paid	(4.94)	(0.42)
Settlement cost	–	–
Fair value of plan assets at the year end	**23.37**	**17.82**
Actual return on plan assets	1.60	1.18
iii. Reconciliation of fair value of assets and obligation:		
Fair value of plan assets	23.37	17.82
Present value of obligation	18.12	21.38
Amount recognised as asset / (liability) in Balance Sheet**	–	(3.56)
** 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 under the head 'Gratuity')		
Current Service Cost	2.27	3.92
Interest Cost	1.71	0.96
Expected return on plan assets	(1.60)	(1.18)
Actuarial (Gain)/Loss	(2.72)	4.92
Net asset not recognised as above	5.25	–
Net Cost	4.91	8.62
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 return on plan assets (per annum)	9%	9%
Rate of escalation in salary (per annum)	7%	6%

SCHEDULES FORMING PART OF THE ACCOUNTS

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

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.

vii. The above information is certified by the actuary.

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

	2008-2009	2007-2008
Salary to Managing Director		
Mr Bankey Lal Choudhary	9.60	9.60
Salary to Executive Directors		
Mr.Shyam sundar Choudhary	9.60	9.60
Mr Vijay Kumar Choudhary	9.60	9.60
	19.20	19.20
Perquisites	–	–
Sitting Fees to Other Directors	0.95	0.27

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 as per Schedule XIII of the Companies Act, 1956.

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

	2008-2009	2007-2008
a) Audit Fees	5.20	5.20
b) As Advisor		
Taxation matters	2.00	–
Company Law matters	–	–
Management Services	–	–
c) In any other matter	1.93	1.70
Total	9.13	6.90

17. Segment Reporting:

Primary Business Segment

Based on the synergies, risks and return 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. Power generation from windmill has not been considered as a separate reportable segment since revenue from the same is less than 10% of the total revenue.

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

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

Information about Secondary Geographical Segments *(Rs. in Lacs)*

	2008-2009	2007-2008
Within India		
Segment Revenue	30,727.55	32,352.33
Segment Assets	74,993.87	54,939.78
Capital Expenditure during the year	23,375.76	12,072.01
Outside India		
Revenue	6,820.78	3,973.36

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.

18. 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.

19. 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. — Wholly Owned Subsidiary

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

b) Enterprises owned or significantly Influenced by the Key Mangerial 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

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	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Advance Given – Himadri Global Investment Ltd	3.25	1.23				
Salary / Managerial Remuneration						
– Mr. Bankey Lal Choudhary			9.60	9.60		
– Mr. Shyam Sundar Choudhary			9.60	9.60		
– Mr. Vijay Kumar Choudhary			9.60	9.60		
– Mr. Anurag Choudhary			6.00	6.00		
– Mr. Amit Choudhary			6.00	6.00		
– Mr. Tushar Choudhary			6.00	6.00		
Repayment of Loan - Himadri Credit & Finance Ltd					150.00	150.00
Interest paid on loan - Himadri Credit & Finance Ltd					137.25	155.25
Discount on Debentures written off						
– Himadri Coke & Petro Ltd					317.55	283.07
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 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
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					1050.00	1200.00
Deposit against Equity Warrants						
– Himadri Industries Ltd.					215.00	234.55
– Sri Agro Himghar Ltd					150.50	150.50
– AAT Techno-Info Ltd					430.00	430.00
– Himadri Credit & Finance Ltd					215.00	215.00
Investment held						
– Himadri Global Investment Ltd	0.57	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 Coke & Petro Ltd					–	6.00
– Himadri e-Carbon Ltd					4.00	4.00
Deep Discount Debenture - Himadri Coke & Petro Ltd					2923.97	2606.42

SCHEDULES FORMING PART OF THE ACCOUNTS

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

20. 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. Pending certain statutory clearances, Lease has been made 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)*

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

b) Lease payments recognised in Profit and Loss Account – Rs. Nil

21. Earnings per Share (EPS):

		Year ended 31.03.2009	Year ended 31.03.2008
Net Profit for the year attributable to equity shareholders: (Rs. in lacs)	(a)	4,677.65	8,293.01
Weighted average number of Equity Shares of Rs.10 each outstanding during the period:	(b)	3,18,10,271	3,15,11,257
Add: Dilutive effect of issue of shares on exercise of warrants	(c)	28,02,986	11,11,847
Number of shares considered as weighted average shares and potential shares outstanding for calculation of diluted EPS	(d) = (b)+(c)	3,46,13,257	3,26,23,104
Earnings Per Share(Rs.):			
Basic	(e) = (a) / (b)	14.70	26.32
Diluted	(f) = (a) / (d)	13.51	25.42

22. Deferred Tax:

The components of Deferred Tax liabilities / assets are as under: *(Rs. in Lacs)*

	As at 31.03.2009	As at 31.03.2008
Components of Deferred Tax Liability		
Depreciation	2,657.71	1,673.67
Components of Deferred Tax Assets		
Provision for Gratuity	–	1.21
Unabsorbed Capital Loss	44.27	43.51
Net Deferred Tax Liability	**2,613.44**	**1,628.95**

23. 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 2009. 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

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

v. Opening Stock:

Item	Unit	2008-09		2007-08	
		(Qty)	Value (Rs. in lacs)	(Qty)	Value (Rs. in lacs)
Coal Tar By-Products	MT	23863.041	6,170.90	15452.674	4,074.49
Coal Tar Tape	SMT	52927.210	52.28	110765.770	113.53
			6,223.18		4,188.02

vi. Closing Stock:

Item	Unit	2008-09		2007-08	
		(Qty)	Value (Rs. in lacs)	(Qty)	Value (Rs. in lacs)
Coal Tar By-Products	MT	25300.467	3,899.26	23863.041	6,170.90
Coal Tar Tape	SMT	45675.630	44.98	52927.210	52.28
			3,944.24		6,223.18

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	2008-09	2007-08
Raw Materials	4,763.95	5,244.95
Capital Goods	1,353.52	2.97

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

(Rs. in Lacs)

Item	2008-09	2007-08
Travelling	23.63	25.75
Consultancy	235.67	191.15
Other matters	115.65	3.69

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

Item	2008-09		2007-08	
	(Rs. in lacs)	%	(Rs. in lacs)	%
(i) Raw Materials				
Imported	4,297.42	21.13	5,396.65	24.47
Indigenous	16,039.19	78.87	16,654.19	75.53
	20,336.61	100.00	22,050.84	100.00
(ii) Consumable Stores & Spares				
Imported	–	–	–	–
Indigenous	68.12	100.00	81.22	100.00
	68.12	100.00	81.22	100.00

SCHEDULES FORMING PART OF THE ACCOUNTS

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

25. Earnings in Foreign Exchange:
F.O.B. value of exports - Rs. 6,739.01 lacs (Previous year – Rs. 3,973.36 lacs)

26. 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.

27. The Company has applied the Hedge Accounting principles set out in the Accounting Standard (AS) 30 Financial Instruments: Recognition and Measurement with effect from 1 April 2008. Accordingly, all such contracts outstanding as on 31 March 2009 are marked to market and the loss aggregating Rs. 854.68 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
Forward contract (1)	USD	Sell	10.00	Hedging Purpose
Currency Options (2)	USD	Sell	34.00	Hedging Purpose
Cross currency swaps (2)	USD	Sell	145.38	Hedging Purpose

Particulars of unhedged foreign currency exposure as at 31.03.09 are as follows:

	Currency	2008-09	2007-08
a) Amounts payable in foreign currency	USD	181.10 lacs	98.39 lacs
b) Amounts receivable in foreign currency	USD	93.33 lacs	83.57 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

Sd/-
B. K. Newatia
Partner
Membership No.: 050251

Sd/-
B. L. Sharma
Company Secretary

Sd/-
S. S. Choudhary
Executive Director

Sd/-
B. L. Choudhary
Managing Director

Place: Kolkata
Dated : 29 June 2009

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.	04756	State Code	21
Balance Sheet Date	31 (Date) 03 (Month) 2009 (Year)		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	3400

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

Total Liabilities	8156742	Total Assets	8156742
Sources of Funds			
Paid-up Capital	318513	Deposit against Share Warrants	258846
Reserves and Surplus	3261535	Secured Loans	3127260
Unsecured Loans	319397	Deferred Tax Liability	261344
Application of Funds			
Net Fixed Assets	5205457	Investments	19996
Net Current Assets	2308471	Misc. Expenditure	12971
Accumulated Losses	NIL		

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

Turnover	3794265	Total Expenditure	3162530
+/– Profit/Loss Before Tax	631735	+/– Profit/Loss After Tax	467765
Earnings Per Share (Basic) in Rs.	14.70	Earnings Per Share (Diluted) in Rs.	13.51
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	27081000
Creosote Oils	27079100
Coal Tar Tape	27079909

As per our report of even date
For **S. Jaykishan**
Chartered accountants

Sd/-
B. K. Newatia
Partner
Membership No.: 050251

Sd/-
B. L. Sharma
Company Secretary

Sd/-
S. S. Choudhary
Executive Director

Sd/-
B. L. Choudhary
Managing Director

Place: Kolkata
Dated : 29th June, 2009

Statement pursuant to Section 212 of the Companies Act, 1956

Name of the subsidiary	Himadri Global Investment Limited Hong Kong
The financial year of the subsidiary Co ended on	31 March 2009
No. of shares held by Holding Co as on the above date	10,000
Extent of interest of the Holding Co at the end of financial year of the subsidiary	100%
Date from which it became a subsidiary	1 August 2006
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. 2.90 Lacs
– For the previous Financial year of the subsidiary since it became the holding company's subsidiary	Loss Rs. 3.76 Lacs
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
– For the previous Financial year of the subsidiary since it became the holding company's subsidiary	Nil
Change in the interest of holding Company between the end of subsidiary's financial year and 31 March 2009	The subsidiary's financial year is same as that of the Company.
Material changes between the end of subsidiary's financial year and 31 March 2009 in: (i) Fixed assets (ii) Investments (iii) Moneys lent by the subsidiary (iv) Moneys borrowed by the subsidiary other than for meeting current liabilities	The subsidiary's financial year is same as that of the Company.

CORPORATE DATA

Directors
Anurag Choudhary
Asiacorp (Hong Kong) Limited

Secretary
First Island Secretaries Limited

Registered office
905 Silvercord, Tower 2
30 Canton Road
Tsimshatsui, Kowloon
Hong Kong

Independent auditors
Moore Stephens
Certified Public Accountants
905 Silvercord, Tower 2,
30 Canton Road, Tsimshatsui, Kowloon,
Hong Kong

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2009.

Principal Activity

The Company remained dormant during the year.

Results and dividend

	HK$
Loss for the year	(49,161)
Accumulated loss brought forward	(68,007)
Accumulated losses carried forward	(117,168)

Dividend

The directors do not recommend the payment of a dividend.

Directors

The directors at the date of this report is as set out on page 2.

Changes in directors

On 1 September 2008, Asiacorp (Hong Kong) Limited was appointed as a director of the Company.

There were no other changes in directors during the year or up to the date of this report.

Rotation of directors

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

Directors' interests

No director had a beneficial interest, either direct or indirect, in any significant contract to which the Company was a party at the balance sheet date or at any time during the year.

Other

There are no other disclosures required under the Hong Kong Companies Ordinance.

Independent auditors

The auditors, Moore Stephens, retire and, being eligible, offer themselves for reappointment.

By order of the Board

Sd/-
Director

Hong Kong
26 June 2009

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 (the "Company") set out on pages 7 to 18, which comprise the balance sheet as at 31 March 2009, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director's 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 auditors' judgement, 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 auditors consider internal control relevant to the Company'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 2009 and of its loss 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.

Without qualifying our opinion, we draw attention to note 2 c) in the financial statements which indicates that the Company incurred a loss of HK$49,161 during the year ended 31 March 2009 and, as of that date, the Company's total liabilities exceeded its total assets by HK$107,168. These conditions, along with other matters as set forth in note 2 c), indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Sd/-
Certified Public Accountants
Hong Kong
26 June 2009

INCOME STATEMENT For the year ended 31 March 2009

(HK$)

	Note	2009	2008
TURNOVER	3	–	–
Other revenue	3	–	–
Administrative expenses		(49,161)	(31,294)
Loss before taxation	4	(49,161)	(31,294)
Taxation	5	–	–
Loss for the year		**(49,161)**	**(31,294)**

BALANCE SHEET 31 March 2009

(HK$)

	Note	2009	2008
ASSETS			
Current assets			
Bank balance		4,740	5,440
Total assets		**4,740**	**5,440**
DEFICIENCY AND LIABILITIES			
Capital and reserves			
Share capital	6	10,000	10,000
Accumulated losses		(117,168)	(68,007)
Total deficiency	2 c)	(107,168)	**(58,007)**
Current liabilities			
Due to holding company	7	59,239	23,875
Accruals		52,669	39,572
Total liabilities		**111,908**	**63,447**
Total deficiency and liabilities		**4,740**	**5,440**

STATEMENT OF CHANGES IN EQUITY For the year ended 31 March 2009

(HK$)

	Share Capital	Accumulated losses	Total
1 April 2007	10,000	(36,713)	(26,713)
Loss for the year	–	(31,294)	(31,294)
31 March 2008 and 1 April 2008	10,000	(68,007)	(58,007)
Loss for the year	–	(49,161)	(49,161)
31 March 2009	**10,000**	**(117,168)**	**(107,168)**

CASH FLOW STATEMENT For the year ended 31 March 2009

(HK$)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation and operating loss before working capital changes	(49,161)	(31,294)
Increase in amount due to holding company	35,364	2,600
Increase in accruals	13,097	24,184
Net cash used in operating activities and decrease in cash and cash equivalent	(700)	(4,510)
Cash and cash equivalents at beginning of year	5,440	9,950
Cash and cash equivalents at end of year	4,740	5,440
Analysis of balances of cash and cash equivalents		
Bank balance	4,740	5,440

NOTES TO THE FINANCIAL STATEMENTS 31 March 2009

1. General

   The Company is a limited liability company incorporated in Hong Kong. The Company was dormant during the year.

   The financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional currency.

2. Basis of preparation of financial statements and principal accounting policies

   These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention.

   The principal accounting policies and methods of computation used by the Company in the preparation of the financial statements for the year ended 31 March 2009 are consistent with those adopted in the financial statements for the year ended 31 March 2008, except for the adoption of the new and revised HKFRSs as explained in a) below.

   a) Adoption of new and revised Hong Kong Financial Reporting Standards

      The Company has adopted the following new and revised HKFRSs, which are effective for annual reporting periods beginning on or after 1 January 2008

HKAS 39 and HKFRS 7	Reclassification of Financial Assets Amendments
HK(IFRIC) - Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

      Adoption of the above new and revised HKFRSs did not have any effect on the financial performance or position of the Company.

   b) Significant judgements and estimates

      The preparation of financial statements in conformity with HKFRSs requires the directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

      The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

      The directors have considered the development, selection and disclosure of the Company's critical accounting policies and estimates. There are no critical accounting judgements in applying the Company's accounting policies and estimates.

NOTES TO THE FINANCIAL STATEMENTS 31 March 2009

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. Accumulated losses result in a deficiency in assets in the amount of HK$107,168 at the balance sheet date. 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 profit in the foreseeable future. The holding company agreed to provide continuing financial support to the Company for at least one year from the date that the financial statements are approved by the directors of the Company.

d) Financial instruments

Financial assets

The Company's financial assets are classified and accounted for as loans and receivables. Financial assets are recognised on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in the income statement.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that the Company will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Financial liabilities

The Company's financial liabilities are other payables. Financial liabilities are recognised when the Company becomes a party to the contractual provisions 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 discharged or cancelled, or expires.

e) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

f) Foreign currency translation

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

g) Taxation

Taxation represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

h) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

i) Related parties

A party is considered to be related to the Company if:-

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence;

ii) the party is an associate of the Company;

iii) the party is a joint venture in which the Company is a venturer;

iv) the party is a member of the key management personnel of the Company;

v) the party is a close member of the family of any individual referred to in i) or iv);

vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in iv) or v); or

vii) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

3. Turnover and other revenue

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

4. Loss before taxation

Loss before taxation is arrived at after charging:

(HK$)

	2009	2008
Auditors' remuneration	12,000	10,000
Staff costs (including directors' remuneration)	–	–

5. Taxation

No provision for Hong Kong Profits Tax has been made as, in the opinion of directors, there was no assessable income generated during the year.

6. Share capital

(HK$)

	2009	2008
Authorised, issued and fully paid:		
10,000 ordinary shares of HK$1 each	10,000	10,000

NOTES TO THE FINANCIAL STATEMENTS 31 March 2009

7. Due to holding company

The amount due to holding company is unsecured, interest-free and there are no fixed terms for repayment.

8. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

(HK$)

	2009	2008
Financial assets:		
Bank balance	4,740	5,440

All financial assets are loans and receivables.

Financial Liabilities at amortised cost:

(HK$)

	2009	2008
Due to holding company	59,239	23,875
Accruals	52,669	39,572

9. Financial risk management and estimation of fair values

a) Financial risk management

The Company is exposed to a variety of risks arising in the normal course of the Company's business activities.

The Company does not have any written risk management policies and guidelines, the directors monitor the financial risk management of the Company and take such measures as considered necessary from time to time to minimise such financial risks.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

b) Estimation of fair values

The notional amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of non-trade balances due to holding company has not been determined as the timing of the expected cash flows of these balances cannot be reasonably determined because of the relationship.

10. Capital Management

The holding company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital of the Company consists of equity comprising issued capital, cash at bank and retained earnings.

The holding company reviews the capital structure of the Company on an annual basis and manages the Company's future capital structure and requirements through the payment of dividends and intra group loans.

The holding company's and company's over all strategy remains unchanged from 2008.

NOTES TO THE FINANCIAL STATEMENTS 31 March 2009

11. Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been early adopted by the Company:

		Effective for annual reporting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial statements	1 July 2009
HKAS 32 and HKAS1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKAS 39 Amendment	Eligible Hedged Items	1 July 2009
HKFRS 1 and HKAS 27 (Revised) Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
HKFRS 2 Amendment	Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 7 Amendment	Improving Disclosures about Financial Instruments	1 January 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) - Int 9 and HKAS 39 Amendments	Embedded Derivatives	1 July 2008
HK(IFRIC) - Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate	1 January 2009
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners	1 July 2009
HK(IFRIC) - Int 18	Transfers of Assets from Customers	1 July 2009

Apart from the above, the HKICPA has issued "Improvements to HKFRSs" and "Improvements to HKFRSs 2009" in October 2008 and May 2009 respectively. The Improvements set out amendments to a number of HKFRSs and are effective for annual reporting periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.

The Company has already commenced an assessment of the related impact of adopting the above new standards, amendments/revisions/improvements to standards and interpretations in the period of initial application. So far, it has concluded that the adoptions of them will unlikely have a significant impact on the Company's financial statements.

12. Ultimate controlling party

The parent company is Himadri Chemicals & Industries Limited, which is incorporated in India, with registered office at 23A, Netaji Subhas Road, 8th Floor, Kolkata 700 001, India which, in the opinion of the directors, is also the ultimate holding company.

13. Approval of the financial statements

The financial statements were approved and authorised for issue by the directors on 26 June 2009.

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 subsidiary ("the Group") as at 31 March 2009 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 subsidiary, Himadri Global Investment Ltd.,(incorporated in Hong Kong), with total assets of Rs. 0.32 lacs as at 31 March 2009 and total expenditure of Rs. 2.90 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 subsidiary.

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 2009,

   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 of the Group for the year ended on that date.

For **S. Jaykishan**
Chartered Accountants,

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

Place: Kolkata
Dated: 29 June 2009

CONSOLIDATED BALANCE SHEET As at 31 March 2009

(Rs. in Lacs)

	Schedule	As at 31.03.2009	As at 31.03.2008
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	3,185.13	3,151.13
b) Deposit against Share Warrants [Refer Note No. 13 of Schedule - 20]		2,588.46	2,666.66
c) Reserves & Surplus	2	32,608.31	28,278.79
2. Loan Funds			
a) Secured Loans	3	31,272.60	18,466.27
b) Unsecured Loans	4	3,193.97	2,876.42
3. Deferred Tax Liability [Refer Note No. 22 of Schedule - 20]		2,613.44	1,628.95
Total		75,461.91	57,068.22
II. APPLICATION OF FUNDS			
1. Fixed Assets	5		
a) Gross Block		32,617.84	29,897.21
b) Less : Depreciation		6,181.49	4,609.21
c) Net Block		26,436.35	25,288.00
d) Capital Work in Progress [Refer Note No. 6 of Schedule - 20]		25,618.22	4,963.09
2. Investments	6	199.39	205.39
3. Current Assets, Loans & Advances			
a) Inventories	7	9,555.08	12,825.01
b) Sundry Debtors	8	7,484.79	6,829.92
c) Cash & Bank Balances	9	959.93	1,609.03
d) Loans & Advances	10	11,180.45	9,541.84
		29,180.25	30,805.80
Less : Current Liabilities & Provisions			
a) Current Liabilities	11	4,991.39	1,800.72
b) Provisions	12	1,110.62	2,579.90
		6,102.01	4,380.62
Net Current Assets		23,078.24	26,425.18
4. Miscellaneous Expenditure	13	129.71	186.56
Total		75,461.91	57,068.22
Significant Accounting Policies & Notes on Accounts	20		

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

As per our report of even date
For **S. Jaykishan**
Chartered Accountants

Sd/-	Sd/-	Sd/-	Sd/-
B. K. Newatia	**B. L. Sharma**	**S. S. Choudhary**	**B. L. Choudhary**
Partner	*Company Secretary*	*Executive Director*	*Managing Director*
Membership No.: 050251			

Place: Kolkata
Dated : 29 June 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 31 March 2009

(Rs. in Lacs)

	Schedule	Year ended 31.03.2009	Year ended 31.03.2008
INCOME			
Sales	14	43,538.54	43,001.33
Less : Taxes & Duties		5,990.21	6,675.64
Net Sales		37,548.33	36,325.69
Other Income	15	394.32	545.11
Total		**37,942.65**	**36,870.80**
EXPENDITURE			
Decrease/(Increase) in Stocks	16	(781.27)	(2,035.16)
Raw Materials Consumed	17	20,336.61	22,050.84
Manufacturing & Other Expenses	18	3,821.70	3,830.74
Interest & Other Financial Charges	19	1,902.30	1,114.37
Foreign Exchange Loss/(Gain)		1,716.37	(0.39)
Depreciation		1,572.28	1,314.95
Total		**28,567.99**	**26,275.35**
Profit Before Tax & Exceptional Item		**9,374.66**	**10,595.45**
Less: Exceptional Item [Refer Note No. 11 of Schedule - 20]		3,060.21	–
Profit Before Tax		**6,314.45**	**10,595.45**
Provision for Taxation :			
Current Tax		710.00	1,816.00
Fringe Benefit Tax		22.00	23.00
Deferred Tax		984.49	465.13
MAT credit entitlement		(76.79)	–
Profit After Tax		**4,674.75**	**8,291.32**
Surplus from earlier years		8,736.92	4,183.48
Income-tax for earlier years		–	(0.54)
Amount Available For Appropriation		**13,411.67**	**12,474.26**
APPROPRIATIONS			
Transfer to General Reserve		1,000.00	3,000.00
Dividend for earlier year		6.80	–
Proposed Dividend		322.63	630.23
Corporate Dividend Tax		55.99	107.11
Balance Carried To Balance Sheet		**12,026.25**	**8,736.92**
Earnings Per Share (Rs.) : [Refer Note No. 21 of Schedule - 20] (Face Value Rs.10 each)			
Basic		14.70	26.31
Diluted		13.51	25.42
Significant Accounting Policies & Notes On Accounts	20		

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

As per our report of even date
For **S. Jaykishan**
Chartered Accountants

Sd/-	Sd/-	Sd/-	Sd/-
B. K. Newatia	**B. L. Sharma**	**S. S. Choudhary**	**B. L. Choudhary**
Partner	*Company Secretary*	*Executive Director*	*Managing Director*
Membership No.: 050251			

Place: Kolkata
Dated : 29 June 2009

CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 March 2009

(Rs. in Lacs)

	Year ended 31.03.2009		Year ended 31.03.2008	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax & Extra-Ordinary Items		6,314.45		10,595.45
Adjustments for :				
Depreciation	1,572.28		1,314.95	
Miscellaneous Expenditure Written Off	61.85		60.85	
Effect of changes in foreign currency translation	(0.58)		(1.00)	
Interest Paid	1,325.66		759.33	
Interest Received	(95.77)		(239.66)	
Dividend Received	(35.70)		(2.17)	
Loss on redemption of Mutual Funds	2.23		0.13	
Proportionate Discount on Debentures W/Off	317.55		283.07	
Provision for Gratuity	(3.56)		1.00	
		3,143.96		2,176.50
Operating Profit before Working Capital Changes		9,458.41		12,771.95
Adjustments for :				
(Increase)/Decrease in Trade & Other Receivables	(2,956.76)		(5,871.72)	
(Increase)/Decrease in Inventories	3,269.93		(4,568.14)	
Increase/(Decrease) in Trade & Other Payables	63.91		488.24	
		377.08		(9,951.62)
Cash generated from operations		9,835.49		2,820.33
Direct Tax Paid		(1,098.92)		(2,016.48)
Prior Year Adjustments		–		(0.54)
Net Cash from Operating Activities		8,736.57		803.31
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets (including Capital Work-in-Progress)	(21,114.43)		(12,072.01)	
Interest Income	95.77		239.66	
Dividend Income	35.70		2.17	
Capital investment subsidy received	150.00		–	
Sale of investments	5,007.34		573.37	
Purchase of Investments	(5,003.57)		(500.00)	
Net Cash used in Investing Activities		(20,829.19)		(11,756.81)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds of Shares issued on conversion of warrants	701.25		–	
Deposit against Share Warrants	–		2,588.46	
Increase/(Decrease) in Long Term Borrowings	10,324.88		(675.51)	
Increase/(Decrease) in Working Capital Borrowings	2,481.45		3,684.73	
Deferred Sales Tax	–		(15.88)	
Share Issue Expenses	(5.00)		(20.11)	
Interest Paid	(1,325.66)		(759.33)	
Dividend Paid	(637.04)		(1,575.56)	
Dividend Tax Paid	(107.11)		(267.77)	
Net Cash from Financing Activities		11,432.77		2,959.03
Net Increase/(Decrease) in Cash/Cash Equivalents		(659.85)		(7,994.47)
Cash & Cash Equivalents at the beginning of the year (Refer Schedule 9 to the Accounts)		1,565.23		9,559.70
Cash & Cash Equivalents at the end of the year (Refer Schedule 9 to the Accounts)		905.38		1,565.23

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

Sd/-
B. K. Newatia
Partner
Membership No.: 050251

Sd/-
B. L. Sharma
Company Secretary

Sd/-
S. S. Choudhary
Executive Director

Sd/-
B. L. Choudhary
Managing Director

Place: Kolkata
Dated : 29 June 2009

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rs. in Lacs)

		As at 31.03.2009		As at 31.03.2008
1 SHARE CAPITAL				
Authorised				
5,00,00,000 Equity Shares of Rs.10/- each (Previous year 4,00,00,000 Equity Shares)		5,000.00		4,000.00
Issued, subscribed and paid-up				
3,18,51,257 Equity Shares of Rs.10/- each fully paid up (Previous year 3,15,11,257 Equity Shares)				
(Out of which, 1,55,42,857 Equity Shares issued for consideration otherwise than in cash)		3,185.13		3,151.13
		3,185.13		**3,151.13**
2 RESERVES AND SURPLUS				
Capital Reserve				
Sales Tax Capital Subsidy		14.86		14.86
Capital Investment Subsidy				
As per last account	43.84		43.84	
Add : Received during the year	150.00		–	
		193.84		43.84
Amalgamation Reserve		61.30		61.30
Foreign Exchange Translation Reserve		(0.37)		0.21
Securities Premium				
As per Last Account	13,404.22		13,404.22	
Add : Received during the year	745.45		–	
		14,149.67		13,404.22
General Reserve				
As per Last Account	6,017.44		3,020.00	
Less : Provision for Gratuity as on 01.04.2007	–		(2.56)	
Add : Transferred from Profit & Loss A/C	1,000.00		3,000.00	
		7,017.44		6,017.44
Hedging Reserve[Refer Note No. 23 of Schedule - 20]		(854.68)		–
Surplus as per Profit & Loss A/c annexed		12,026.25		8,736.92
		32,608.31		**28,278.79**
3 SECURED LOANS				
[Refer Note No.1 of Schedule 20 for securities]				
Term Loans				
– From Banks		14,255.44		3,773.55
– From Non Banking Finance Company		1,050.00		1,200.00
{Repayable within one year Rs 4373.60 lacs (previous year Rs 923.86 Lacs)}				
Working Capital Loans from Banks		7,224.04		9,923.08
Packing Credit from Banks		4,246.55		–
Buyer's Credit from Banks		4,494.53		3,560.59
Loan against Equipments & Vehicles		2.04		9.05
		31,272.60		**18,466.27**

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rs. in Lacs)

		As at 31.03.2009		As at 31.03.2008
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		9,376.03		9,693.58
		2,923.97		2,606.42
Sales Tax Deferrment		270.00		270.00
		3,193.97		2,876.42

5 FIXED ASSETS

(Rs. in Lacs)

Description of Assets	GROSS BLOCK As on 01.04.2008	Addition during the year	Deletion during the year	Total Upto 31.03.2009	DEPRECIATION As on 01.04.2008	Provided during the year	Adjusted during the year	Total Upto 31.03.2009	NET BLOCK As at 31.03.2009	As at 31.03.2008
Land	1,208.92	36.64	–	1,245.56	–	–	–	–	1,245.56	1,208.92
Factory Shed & Building	2,698.26	84.36	–	2,782.62	402.09	98.92	–	501.01	2,281.61	2,296.17
Plant & Machinery	24,303.81	2,529.20	–	26,833.01	3,604.39	1,357.30	–	4,961.69	21,871.32	20,699.42
Laboratory Equipment	204.66	0.64	–	205.30	70.25	8.53	–	78.78	126.52	134.41
Office Equipment	72.88	6.95	–	79.83	31.00	4.26	–	35.26	44.57	41.88
Furniture & Fixture	170.02	5.52	–	175.54	65.45	12.90	–	78.35	97.19	104.57
Fire Extinguisher	24.94	2.12	–	27.06	4.56	1.25	–	5.81	21.25	20.38
Vehicles	273.44	18.25	–	291.69	120.64	25.34	–	145.98	145.71	152.80
Tubewell	10.62	–	–	10.62	1.37	0.50	–	1.87	8.75	9.25
Electrical Installation	570.28	26.42	–	596.70	57.81	30.24	–	88.05	508.65	512.47
Cycle	0.60	0.21	–	0.81	0.26	0.04	–	0.30	0.51	0.34
Computers	213.70	10.32	–	224.02	133.19	22.25	–	155.44	68.58	80.51
Tankers	145.08	–	–	145.08	118.20	10.75	–	128.95	16.13	26.88
Total	**29,897.21**	**2,720.63**	**–**	**32,617.84**	**4,609.21**	**1,572.28**	**–**	**6,181.49**	**26,436.35**	**25,288.00**
Previous Year Total	**21,857.72**	**8,039.49**	**–**	**29,897.21**	**3,294.26**	**1,314.95**	**–**	**4,609.21**	**25,288.00**	

Note:

Original Cost as at 31 March 2009 of Vehicles includes Rs. 107.72 lacs (Previous Year- Rs. 89.26 lacs) acquired under Auto Finance Scheme from Banks, of which Rs. 53.26 lacs (Previous Year- Rs. 62.71 lacs) was outstanding as at 31 March 2009.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rs. in Lacs)

	Face Value (Rs.)	As at 31.03.2009		As at 31.03.2008	
		No. of Shares	Amount	No. of Shares	Amount
6 INVESTMENTS					
Long Term					
In Government Securities					
(Deposited with Government Authorities)					
Kishan Vikas Patra			0.07		0.07
In Shares of Joint Stock Companies					
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 Coke & Petro Ltd.	10	–	–	60,000	6.00
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
Total			**199.39**		**205.39**
Aggregate Book Value of Unquoted Investments			160.57		166.57
Aggregate Book Value of Quoted Investments			38.82		38.82
Aggregate Market Value of Quoted Investments			42.52		49.76

	As at 31.03.2009	As at 31.03.2008
7 INVENTORIES		
(as taken, valued & certified by the management)		
Finished Goods*	4,009.37	6,223.18
Raw Materials	5,499.49	6,283.80
Materials In Transit	25.41	185.74
Packing Materials	20.81	118.61
Furnace Oil	–	13.68
	9,555.08	**12,825.01**

* Includes stock of Rs. 65.13 Lacs of Trial run Production

8 SUNDRY DEBTORS		
(Unsecured, Considered Good)		
Debts outstanding for a period exceeding six months	811.83	237.05
Other Debts	6,672.96	6,592.87
	7,484.79	**6,829.92**

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rs. in Lacs)

	As at 31.03.2009	As at 31.03.2008
9 CASH & BANK BALANCES		
Cash in Hand (As certified by Management)	58.61	83.22
Cheques in Hand	9.66	444.78
Balances with Scheduled Banks		
In Current Accounts	51.61	70.87
In Fixed Deposit Accounts [Refer Note Nos. 5 & 8 of Schedule - 20]	785.18	966.09
In Unclaimed Dividend Accounts	54.55	43.80
Balances with Foreign Banks		
In Current Accounts	0.32	0.27
	959.93	1,609.03
10 LOANS & ADVANCES		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received		
To others	6,632.40	4,540.40
Incentive Receivable	300.00	300.00
Balance with Central Excise & Cenvat Receivable	2,474.08	2,559.34
Sales Tax Deposit & VAT Receivable	456.30	146.28
Income Tax Payments	807.90	1,565.17
Income Tax Refundable	32.63	15.44
Deferred MAT Credit Entitlement [Refer Note No. 18 of Schedule - 20]	76.80	–
Earnest Money & Security Deposits	400.34	415.21
	11,180.45	9,541.84
11 CURRENT LIABILITIES		
Sundry Creditors		
Due to Micro, Small & Medium Enterprises	–	–
Due to Others :		
for Capital Goods	2,409.75	148.42
others	927.97	690.29
Unclaimed Dividend*	54.55	43.80
Derivative Contracts Payable [Refer Note No. 23 of Schedule - 20]	854.68	–
Other Liabilities	665.07	918.21
Advances from customers	79.37	–
	4,991.39	1,800.72

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

	As at 31.03.2009	As at 31.03.2008
12 PROVISIONS		
Provision for Taxation	732.00	1,839.00
Provision for Gratuity [Refer Note No. 14 of Schedule - 20]	–	3.56
Proposed Dividend	322.63	630.23
Corporate Dividend Tax	55.99	107.11
	1,110.62	2,579.90

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rs. in Lacs)

	Year ended 31.03.2009	Year ended 31.03.2008
13 MISCELLANEOUS EXPENDITURE		
(To the extent not written off/or adjusted)		
Share Issue Expenses		
As per last account	186.56	227.30
Add: During the year	5.00	20.11
	191.56	247.41
Less: Amount Written Off during the year	61.85	60.85
	129.71	**186.56**

	Year ended 31.03.2009	Year ended 31.03.2008
14 SALES		
Sales:		
Local	35,732.84	38,433.08
Export	7,805.70	4,568.25
	43,538.54	**43,001.33**

	Year ended 31.03.2009	Year ended 31.03.2008
15 OTHER INCOME		
Interest on Fixed Deposits with Bank (TDS - Rs. 20.76 Lacs ; P.Y. Rs. 51.67 Lacs)	95.77	239.66
Dividend		
– on Long Term Investments (other than trade)	0.26	0.33
– on Current Investments (other than trade)	35.44	1.84
Profit on sale of shares (Long Term, other than trade)	–	99.22
Warranty & other Claims	–	203.57
Consultancy Income (TDS- Rs. 22.41 Lacs; P.Y. Rs. Nil)	252.08	–
Miscellaneous Income	10.77	0.49
	394.32	**545.11**

	Year ended 31.03.2009	Year ended 31.03.2008
16 DECREASE/(INCREASE) IN STOCKS		
Opening Stock of Finished Goods	6,223.18	4,188.02
Closing Stock of Finished Goods	3,944.24	6,223.18
	2,278.94	(2,035.16)
Less : Write Down of Inventory to NRV considered as exceptional item	3,060.21	–
Decrease/(Increase) in Stocks	**(781.27)**	**(2,035.16)**

	Year ended 31.03.2009	Year ended 31.03.2008
17 RAW MATERIALS CONSUMED		
Opening Stock	6,283.80	3,786.47
Add: Purchases	19,552.30	24,548.17
	25,836.10	28,334.64
Less: Closing Stock	5,499.49	6,283.80
	20,336.61	**22,050.84**

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rs. in Lacs)

	Year ended 31.03.2009	Year ended 31.03.2008
18 MANUFACTURING & OTHER EXPENSES		
Consumable Stores & Spares	68.12	81.22
Power & Fuel	943.07	1,055.95
Employees' Emoluments [Refer Note No. 15 of Schedule - 20]		
(a) Salaries,Wages & Allowances	416.09	312.06
(b) Contribution To Provident & Other Funds	16.10	16.07
(c) Gratuity	4.91	8.62
(d) Welfare & Other Amenities	54.19	28.29
Excise Duty on Variation in Stocks [Refer Note No. 9 of Schedule - 20]	(287.47)	191.75
Rent	17.20	15.59
Rates & Taxes	44.06	13.17
Repairs To:		
Factory Shed & Building	23.26	57.64
Plant & Machinery	126.51	176.49
Others	76.25	27.65
Insurance	59.14	111.51
Rebates & Discount	209.54	71.02
Miscellaneous Expenses	825.65	646.83
Share Transfer Expenses	1.86	1.82
Auditors' Remuneration [Refer Note No. 16 of Schedule - 20]	9.84	7.44
Packing Expenses	206.23	120.64
Freight & Forwarding Expenses	861.30	826.00
Commission on sales (other than sole selling agents)	81.77	–
Loss on redemption of Mutual Fund (Short term)	2.23	0.13
Share Issue Expenses W/off	61.85	60.85
	3,821.70	**3,830.74**

19 INTEREST & OTHER FINANCIAL CHARGES		
Interest :		
On Term Loans	451.43	350.60
Others	874.23	408.73
Discount on Debentures W/Off	317.55	283.07
Bank Charges	259.09	71.97
	1,902.30	**1,114.37**

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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 subsidiary company. The consolidated financial statements have been prepared on the following basis:

a) The financial statements of the Company and its subsidiary company 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.**

These are set out under "Significant Accounting Policies" as given in the Standalone Financial Statements of Himadri Chemicals & Industries Limited.

B) NOTES ON ACCOUNTS

1. **Secured Loans**

a) Term Loan from State Bank of India is secured by way of first 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 ongoing expansion) 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 is secured by way of first exclusive charge on all Plant and Machineries and other moveable fixed assets, both present and future, of the Company situated at Carbon Black Plant at Mahistikry, Hooghly, West Bengal.

c) Term Loan from The Hong Kong and Shanghai Banking Corporation Ltd is secured by way of first exclusive charge on specific movable fixed assets of the Company relating to ongoing expansion of Coal Tar Distillation plant at Mahistikry, Hooghly, West Bengal.

d) 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 ongoing expansion. It is further secured by way of first pari-passu charge on the leasehold land of the Company situated at Mahistikry, Hooghly, West Bengal.

e) Loan against Equipments & Vehicles is secured by charge on specific assets.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

f) Working Capital loans including buyer's credit 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 and Yes Bank Limited 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 including buyer's credit 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 including buyer's credit obtained from Citibank N.A., The Hong Kong and Shanghai Banking Corporation Ltd, Yes Bank Limited and DBS Bank Limited 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 Loan from Axis Bank Ltd is secured by second pari-passu charge on the entire fixed assets of the Company.

iv) 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 31.03.2009	As at 31.03.2008
a) Bank Guarantees	554.65	876.29
b) Letter of Credit outstanding	685.43	4,107.66
c) 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	43.35	1.79

3. Estimated amount of commitments on capital account (net of advances) - Rs. 204.98 lacs (Previous Year Rs. 4008.20 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. 4837.06 lacs

5. Fixed Deposits of Rs. 150.98 lacs (Previous Year Rs 161.87 lacs) have been lodged with the Banks as margin against Letters of Credit & Bank Guarantees issued on behalf of the Company.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

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)

	2008-09		2007-08	
Opening Balance		242.49		38.24
Add: Incurred during the year				
Consumables Stores and Spares	19.16		6.06	
Employees' Emoluments	119.00		34.91	
Raw Materials Consumed	60.77		–	
Excise Duty on Variation in Stock	8.21		–	
Power & Fuel	58.21		2.66	
Rates & Taxes	15.98		0.44	
Repairs & Maintenance	12.19		5.33	
Insurance	13.01		–	
Interest on Term Loan	1106.64		–	
Bank Charges	1.55		3.62	
Rent	–		1.84	
Miscellaneous Expenses	430.59		211.21	
	1845.31		266.07	
Less: Sales of trial run production	(41.55)		–	
Less: Closing Stock of trial run production	(65.13)	1738.63	–	266.07
		1980.92		304.31
Less: Capitalised during the year		(65.72)		(61.82)
		1915.40		242.49

   ii. Rs. 2907.77 lacs on account of advances against capital expenditure (Previous year Rs. 2329.30 lacs).

   iii. Rs. 594.08 lacs on account of stock of stores and spares (Previous year Rs. 141.53 lacs).

7. Research and Development expenses aggregating to
   a. Rs. 21.31 lacs in the nature of revenue expenditure
   b. Rs. 170.48 lacs in the nature of capital expenditure

   have been included under the appropriate account heads.

8. Fixed Deposits include interest accrued but not due amounting to Rs. 5.65 lacs (Previous year Rs.13.49 lacs)

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

10. Details of Investments purchased and sold during the year

	2008-09		2007-08	
	Units	Purchase Value (Rs. in lacs)	Units	Purchase Value (Rs. in lacs)
LIC MF Income Plus Fund – Daily Dividend Plan	25000000.000	2500.00		
LIC MF Interval Fund – Monthly Dividend Plan	25013424.662	2503.57		
LIC MF Floating Rate Fund – STP – Dividend Plan			4921066.100	500.00

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

11. Exceptional item represents write down of inventories to Net Realisable Value.

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. During the year the Company has allotted 340,000 Equity Shares of Rs. 10 each at a premium of Rs. 219.25 per share on conversion of equal number of warrants issued in the year 2006-07. The Company has received balance consideration of Rs. 701.25 lacs during the year on conversion of the said warrants, which has been utilised for capital expenditure.

    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., against which it had received Rs. 2588.46 lacs. Each warrant carries 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.

    Amount received against the said warrants outstanding as on 31 March 2009 has been shown as "Deposit against Share Warrants" in the Balance Sheet.

14. 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)

	2008-09	2007-08
Employer's Contribution to Provident and Other Funds	16.10	16.07

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 2009 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)	
	31.03.2009	31.03.2008
i. Reconciliation of Opening and Closing Balances of the present value of Defined Benefit Obligation:		
Defined Benefit obligation at beginning of the year	21.38	12.00
Current Service Cost	2.27	3.92
Interest Cost	1.71	0.96
Actuarial (Gain)/Loss	(2.30)	4.92
Benefits paid	(4.94)	(0.42)
Settlement cost	(0.30)	–
Defined Benefit obligation at the year end	**18.12**	**21.38**
ii. Reconciliation of Opening and Closing Balances of fair value of plan assets:		
Fair value of plan assets at beginning of the year	17.82	9.44
Expected return on plan assets	1.60	1.18
Actuarial Gain/(Loss)	0.43	–
Employers' contribution	8.47	7.62
Benefits paid	(4.94)	(0.42)
Settlement cost	–	–
Fair value of plan assets at the year end	**23.37**	**17.82**
Actual return on plan assets	1.60	1.18

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

iii. **Reconciliation of fair value of assets and obligation:** *(Rs. in Lacs)*

Fair value of plan assets	23.37	17.82
Present value of obligation	18.12	21.38
Amount recognised as asset / (liability) in Balance Sheet**	–	(3.56)
** 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 under the head 'Gratuity')**

Current Service Cost	2.27	3.92
Interest Cost	1.71	0.96
Expected return on plan assets	(1.60)	(1.18)
Actuarial (Gain)/Loss	(2.72)	4.92
Net asset not recognised as above	5.25	–
Net Cost	4.91	8.62

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 return on plan assets (per annum)	9%	9%
Rate of escalation in salary (per annum)	7%	6%

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.

vii. The above information is certified by the actuary.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

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

	2008-2009	2007-2008
Salary to Managing Director		
Mr. Bankey Lal Choudhary	9.60	9.60
Salary to Executive Directors		
Mr. Shyam sundar Choudhary	9.60	9.60
Mr. Vijay Kumar Choudhary	9.60	9.60
	19.20	19.20
Perquisites	–	–
Sitting Fees to Other Directors	0.95	0.27

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.

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

	2008-2009	2007-2008
a) Audit Fees	5.91	5.74
b) As Advisor		
Taxation matters	2.00	–
Company Law matters	–	–
Management Services	–	–
c) In any other matter	1.93	1.70
Total	9.84	7.44

17. Segment Reporting:

Primary Business Segment

Based on the synergies, risks and return 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. Power generation from windmill has not been considered as a separate reportable segment since revenue from the same is less than 10% of the total revenue.

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)*

	2008-2009	2007-2008
Within India		
Segment Revenue	30,727.55	32,352.33
Segment Assets	74,993.87	54,939.78
Capital Expenditure during the year	23,375.76	12,072.01
Outside India		
Revenue	6,820.78	3,973.36

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

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.

18. 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.

19. 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

b) **Enterprises owned or significantly Influenced by the Key Mangerial 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 CONSOLIDATED ACCOUNTS

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 transactions	Referred in ii(a) above		Referred in ii(b) above	
	2008-09	2007-08	2008-09	2007-08
Salary / Managerial Remuneration				
– Mr. Bankey Lal Choudhary	9.60	9.60		
– Mr. Shyam Sundar Choudhary	9.60	9.60		
– Mr. Vijay Kumar Choudhary	9.60	9.60		
– Mr. Anurag Choudhary	6.00	6.00		
– Mr. Amit Choudhary	6.00	6.00		
– Mr. Tushar Choudhary	6.00	6.00		
Repayment of Loan – Himadri Credit & Finance Ltd			150.00	150.00
Interest paid on loan – Himadri Credit & Finance Ltd			137.25	155.25
Discount on Debentures written off – Himadri Coke & Petro Ltd			317.55	283.07
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 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
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			1050.00	1200.00
Deposit against Equity Warrants				
– Himadri Industries Ltd.			215.00	234.55
– Sri Agro Himghar Ltd			150.50	150.50
– AAT Techno-Info Ltd			430.00	430.00
– Himadri Credit & Finance Ltd			215.00	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 Coke & Petro Ltd			–	6.00
– Himadri e-Carbon Ltd			4.00	4.00
Deep Discount Debenture - Himadri Coke & Petro Ltd			2923.97	2606.42

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

20. 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. Pending certain statutory clearances, Lease has been made 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)*

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

b) Lease payments recognised in Profit and Loss Account – Rs. Nil

21. Earnings per Share (EPS):

		Year ended 31.03.2009	Year ended 31.03.2008
Net Profit for the year attributable to equity shareholders: (Rs. in lacs)	(a)	4,674.75	8,291.32
Weighted average number of Equity Shares of Rs.10 each outstanding during the period:	(b)	3,18,10,271	3,15,11,257
Add: Dilutive effect of issue of shares on exercise of warrants	(c)	28,02,986	11,11,847
Number of shares considered as weighted average shares and potential shares outstanding for calculation of diluted EPS	(d) = (b) + (c)	3,46,13,257	3,26,23,104
Earnings Per Share (Rs.):			
Basic	(e) = (a) / (b)	**14.70**	**26.31**
Diluted	(f) = (a) / (d)	**13.51**	**25.42**

22. Deferred Tax:

The components of Deferred Tax liabilities / assets are as under: *(Rs. in Lacs)*

	As at 31.03.2009	As at 31.03.2008
Components of Deferred Tax Liability		
Depreciation	2,657.71	1,673.67
Components of Deferred Tax Assets		
Provision for Gratuity	–	1.21
Unabsorbed Capital Loss	44.27	43.51
Net Deferred Tax Liability	**2,613.44**	**1,628.95**

23. The Company has applied the Hedge Accounting principles set out in the Accounting Standard (AS) 30 Financial Instruments: Recognition and Measurement with effect from 1 April 2008. Accordingly, all such contracts outstanding as on 31 March 2009 are marked to market and the loss aggregating Rs. 854.68 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.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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

24. 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
Forward contract (1)	USD	Sell	10.00	Hedging Purpose
Currency Options (2)	USD	Sell	34.00	Hedging Purpose
Cross currency swaps (2)	USD	Sell	145.38	Hedging Purpose

Particulars of unhedged foreign currency exposure as at 31.03.09 are as follows:

	Currency	2008-09	2007-08
a) Amounts payable in foreign currency	USD	181.10 lacs	98.39 lacs
	HK$	0.53 lacs	
b) Amounts receivable in foreign currency	USD	93.33 lacs	83.57 lacs

25. 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

Sd/-
B. K. Newatia
Partner
Membership No.: 050251

Sd/-
B. L. Sharma
Company Secretary

Sd/-
S. S. Choudhary
Executive Director

Sd/-
B. L. Choudhary
Managing Director

Place : Kolkata
Dated : 29 June 2009

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. Vivek Chhachhi
– *Nominee of Citigroup Venture Capital International Growth Partnership Mauritius Ltd.*

Mr. S.K. Banerjee
– *Non-Executive Independent Director*

Mr. S.K. Goenka
– *Non-Executive Independent Director*

Mr. S.K. Saraf
– *Non-Executive Independent Director*

Senior Management Team

Mr. Anurag Choudhary – *CEO*

Mr. Amit Choudhary
– *President, Projects*

Mr. Tushar Choudhary
– *President, Operations*

Dr. C.R. Natrajan – *President, R&D*

Mr Jatin Kapoor – *CFO*

Dr. Soumen Chakraborty – *Joint President, (Carbon Black Business)*

Mr. Rene Genin – *Director, Technical*

Mr. Manuel Cimas Gonzalez – *Director, Business Development*

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.

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

Himadri Chemicals & Industries Limited