

## CONSOLIDATED FINANCIAL STATEMENTS

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## CONSOLIDATED AUDITORS' REPORT

To,  
The Members of  
**ASHAPURA MINECHEM LIMITED**

We have audited the attached Consolidated Balance Sheet of **Ashapura Minechem Limited** (the Company), its Subsidiaries, Joint Venture Companies and Associate Companies (collectively hereinafter referred as "the Ashapura Group") as at 31<sup>st</sup> March, 2007 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto.

These Consolidated Financial Statements are the responsibility of the Ashapura Group's Management and have been prepared by the Management on the basis of separate Financial Statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

We conducted our audit in accordance with the generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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 the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Financial Statements of certain Subsidiaries have been audited by other auditors and we have relied upon such audited financial statements for the purpose of our examination of the Consolidated Financial Statements.

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirement of Accounting Standard (AS) – 21 "Consolidated Financial Statements", Accounting Standard (AS) – 23 "Accounting for Investments in Associates" and Accounting Standard (AS) – 27 "Financial Reporting of Interest in Joint Ventures" issued

by the Institute of Chartered Accountants of India and on the basis of the separate Audited Financial Statements of the Company, its Subsidiaries and Joint Ventures and Unaudited Financial Statements of the Associate Companies.

In our opinion and to the best of our information and according to the explanations given to us and on the consideration of the separate audit reports on individual Audited Financial Statements of the Company, its Subsidiaries and Joint Venture Companies and Unaudited financial statements of the Associate Companies, we are of the opinion that the Consolidated Financial Statements read with all the notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Consolidated Balance Sheet, of the consolidated affairs of Ashapura Group as at 31<sup>st</sup> March, 2007;
- (b) In the case of the Consolidated Profit & Loss Account, of the **Profit** of Ashapura Group for the year ended on that date; and
- (c) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

**For SANGHAVI & COMPANY**  
Chartered Accountants

**MANOJ GANATRA**  
Partner  
Membership No. 043485

Place : Mumbai  
Date : 15<sup>th</sup> June, 2007

# ASHAPURA MINECHEM LIMITED

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

|   | SCH. | 31st March, 2007<br>Rs. | 31st March, 2006<br>Rs. |
|---|------|-------------------------|-------------------------|
| <b>SOURCES OF FUNDS</b>   |      |                         |                         |
| <b>Shareholders' Funds</b>  |      |                         |                         |
| Share Capital   | A    | 78,242,570              | 64,508,000              |
| Employee Stock  |      |                         |                         |
| Option Outstanding  |      | 21,469,434              | 11,316,640              |
| Reserves and Surplus  | B    | 3,952,375,309           | 1,369,410,328           |
|   |      | 4,052,087,313           | 1,445,234,968           |
| <b>Minority Interest</b>  |      |                         |                         |
|   | C    | 621,343                 | (77,169)                |
| <b>Deferred Tax Liability (net)</b>   |      | 48,430,248              | 36,055,938              |
| <b>Loan Funds</b>   |      |                         |                         |
| Secured Loans   | D    | 1,694,092,296           | 1,318,267,321           |
| Deferred Payment Liabilities  | E    | 31,291,408              | 23,062,825              |
| Unsecured Loans   | F    | —                       | 48,745,000              |
|   |      | 1,725,383,704           | 1,390,075,146           |
| <b>TOTAL</b>  |      | <b>5,826,522,608</b>    | <b>2,871,288,883</b>    |
| <b>APPLICATION OF FUNDS</b>   |      |                         |                         |
| <b>Fixed Assets</b>   |      |                         |                         |
|   | G    |                         |                         |
| Gross Block   |      | 1,241,854,675           | 997,537,146             |
| Less : Depreciation   |      | 402,897,865             | 329,336,324             |
| Net Block   |      | 838,956,810             | 668,200,822             |
| Capital work -in-progress   |      | 92,420,874              | 117,613,428             |
|   |      | 931,377,684             | 785,814,250             |
| <b>Goodwill on Consolidation</b>  |      | 104,400,525             | 104,400,525             |
| <b>Investments</b>  | H    | 1,281,776,028           | 45,474,927              |
| <b>Current Assets, Loans and Advances</b>                                       |      |                         |                         |
|   | I    |                         |                         |
| Inventories   |      | 992,926,502             | 798,104,821             |
| Sundry Debtors  |      | 2,099,454,983           | 1,480,578,636           |
| Cash & Bank Balances  |      | 497,134,782             | 528,191,335             |
| Loans and Advances  |      | 877,152,608             | 498,053,388             |
|   |      | 4,466,668,875           | 3,304,928,180           |
| Less : Current Liabilities and Provisions                                       | J    | 960,885,717             | 1,378,847,671           |
|   |      | 3,505,783,158           | 1,926,080,509           |
| <b>Miscellaneous Expenditure</b><br>(To the extent not written off or adjusted) | K    | 3,185,213               | 9,518,672               |
| <b>TOTAL</b>  |      | <b>5,826,522,608</b>    | <b>2,871,288,883</b>    |
| Notes on Accounts   | S    |                         |                         |

The Accompanying Schedules A to S are an integral part of these Financial Statements.

As per our Report of even date

For **SANGHAVI & COMPANY**  
Chartered Accountants

For and on behalf of the Board of Directors

**MANOJ GANATRA**  
Partner

**SACHIN POLKE**  
Company Secretary

**NAVNITLAL SHAH**  
Executive Chairman

**CHETAN SHAH**  
Managing Director and  
Chief Executive Officer

Place : Mumbai  
Date : 15th June, 2007

Place : Mumbai  
Date : 15th June, 2007



## CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2007

|   | SCH. | 2006-2007<br>Rs.      | 2005-2006<br>Rs.     |
|---|------|-----------------------|----------------------|
| <b>INCOME</b>                               |      |                       |                      |
| Sales and Operational Income                | L    | 12,724,428,289        | 8,543,704,300        |
| Other Income                                | M    | 68,635,913            | 22,429,665           |
| <b>TOTAL</b>                                |      | <b>12,793,064,202</b> | <b>8,566,133,965</b> |
| <b>EXPENDITURE</b>                          |      |                       |                      |
| Change in Inventory                         | N    | (187,317,954)         | 16,952,863           |
| Materials, Mining & Manufacturing Expenses  | O    | 4,988,960,278         | 2,915,356,010        |
| Direct Selling & Distribution Expenses      | P    | 5,518,379,244         | 3,979,618,011        |
| Administrative Expenses                     | Q    | 400,861,234           | 383,122,548          |
| Interest                                    | R    | 136,941,417           | 124,271,325          |
| Depreciation                                |      | 73,475,412            | 54,204,660           |
| <b>TOTAL</b>                                |      | <b>10,931,299,631</b> | <b>7,473,525,417</b> |
| Profit Before Tax                           |      | 1,861,764,571         | 1,092,608,548        |
| Less : Provision for Taxation               |      |                       |                      |
| Current Tax                                 |      | 529,050,000           | 282,332,398          |
| Fringe Benefit Tax                          |      | 6,997,014             | 5,946,741            |
| Deferred Tax                                |      | 12,374,310            | 13,382,809           |
| Profit After Tax                            |      | 1,313,343,247         | 790,946,600          |
| Less : Prior Period Adjustments             |      | 7,326,944             | 7,081,907            |
| Less : Share of Loss in Associate Companies |      | 3,337,561             | 132,713              |
| Net Profit                                  |      | 1,302,678,742         | 783,731,980          |
| Less: Minority Interest                     |      | 698,512               | 186,675              |
| Profit After Tax and Minority Interest      |      | 1,301,980,230         | 783,545,305          |
| Balance brought forward from last year      |      | 472,741,994           | 144,363,124          |
|   |      | 1,774,722,224         | 927,908,429          |
| <b>Less : Appropriations</b>                |      |                       |                      |
| Proposed Dividend                           |      | 117,363,855           | 48,381,000           |
| Corporate Dividend Tax                      |      | 19,945,987            | 6,785,435            |
| General Reserve                             |      | 725,445,366           | 400,000,000          |
| Balance Carried to Balance Sheet            |      | 911,967,016           | 472,741,994          |
| Earning Per Share (Basic)                   |      | 36.17                 | 24.37                |
| Earning Per Share (Diluted)                 |      | 35.88                 | 24.16                |
| Face Value per Share                        |      | 2.00                  | 2.00                 |

Notes on Accounts

S

The Accompanying Schedules A to S are an integral part of these Financial Statements.

As per our Report of even date

For **SANGHAVI & COMPANY**  
Chartered Accountants

For and on behalf of the Board of Directors

**MANOJ GANATRA**  
Partner

**SACHIN POLKE**  
Company Secretary

**NAVNITLAL SHAH**  
Executive Chairman

**CHETAN SHAH**  
Managing Director and  
Chief Executive Officer

Place : Mumbai  
Date : 15th June, 2007

Place : Mumbai  
Date : 15th June, 2007

# ASHAPURA MINECHEM LIMITED

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007

|   |                    |                    | (Rs in lacs) |
|---|--------------------|--------------------|--------------|
|   | 2006-2007          |                    | 2005-2006    |
| <b>A CASH FLOW FROM OPERATING ACTIVITIES</b>    |                    |                    |              |
| Net Profit Before Tax And Extraordinary Items   | <b>18,617.65</b>   |                    | 10,926.09    |
| Adjustments for -                               |                    |                    |              |
| Depreciation                                    | <b>734.75</b>      |                    | 542.05       |
| Amortization of Expenses                        | <b>63.33</b>       |                    | 97.25        |
| Amortization of Stock Compensation              | <b>101.52</b>      |                    | 116.37       |
| Exchange Rate Adjustments (net)                 | <b>(62.86)</b>     |                    | (12.08)      |
| Loss (Profit) on sale of Fixed Assets           | <b>(3.21)</b>      |                    | (2.98)       |
| Loss (Profit) on sale of Investments            | <b>(10.37)</b>     |                    | —            |
| Prior Period Adjustments                        | <b>(73.27)</b>     |                    | (70.82)      |
| Dividend received                               | <b>(377.85)</b>    |                    | (0.09)       |
| Interest  | <b>1,133.83</b>    | <b>1,505.88</b>    | 1,125.35     |
| Operating Profit Before Working Capital Changes | <b>20,123.52</b>   |                    | 12,721.14    |
| Adjustments for -                               |                    |                    |              |
| Trade and Other Receivables                     | <b>(9,979.74)</b>  |                    | (2,794.62)   |
| Inventories                                     | <b>(1,948.22)</b>  |                    | (51.12)      |
| Trade Payables                                  | <b>(5,216.40)</b>  | <b>(17,144.35)</b> | 7,955.78     |
|   | <b>2,979.17</b>    |                    | 17,933.42    |
| Cash Generated From Operations                  |                    |                    |              |
| Interest Paid (net)                             | <b>(1,356.14)</b>  |                    | (1,269.59)   |
| Direct Taxes Paid (net)                         | <b>(5,215.15)</b>  | <b>(6,571.30)</b>  | (2,761.13)   |
|   |                    |                    | (4,030.72)   |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>       | <b>(3,592.12)</b>  |                    | 13,902.70    |
| <b>B CASH FLOW FROM INVESTING ACTIVITIES</b>    |                    |                    |              |
| Purchase of Fixed Assets                        | <b>(2,192.61)</b>  |                    | (2,746.08)   |
| Sale of Fixed Assets                            | <b>5.43</b>        |                    | 8.24         |
| Purchase of Investments (Net)                   | <b>(12,386.03)</b> |                    | (451.13)     |
| Interest received                               | <b>222.31</b>      |                    | 144.24       |
| Dividend received                               | <b>377.85</b>      |                    | 0.09         |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>    | <b>(13,973.04)</b> |                    | (3,044.64)   |



### C CASH FLOW FROM FINANCING ACTIVITIES

|   |                        |                        |
|---|------------------------|------------------------|
| Proceeds (Repayments) of loans borrowed (net)               | 3,353.09               | (9,162.18)             |
| Proceeds from issuance of Share capital (including premium) | 14,383.15              | 44.81                  |
| Dividend Paid   | <u>(481.64)</u>        | <u>(254.67)</u>        |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                | <b>17,254.59</b>       | <b>(9,372.04)</b>      |
| <b>Net Increase in Cash and Cash Equivalents</b>            | <b>(310.56)</b>        | <b>1,486.02</b>        |
| Cash and Cash Equivalents as at beginning of the year       | <u>5,281.91</u>        | <u>3,795.89</u>        |
| Cash and Cash Equivalents as at end of the year             | <u><u>4,971.35</u></u> | <u><u>5,281.91</u></u> |



As per our Report of even date

For **SANGHAVI & COMPANY**  
Chartered Accountants

**MANOJ GANATRA**  
Partner

**SACHIN POLKE**  
Company Secretary

Place : Mumbai  
Date : 15th June, 2007

For and on behalf of the Board of Directors

**NAVNITLAL SHAH**  
Executive Chairman

**CHETAN SHAH**  
Managing Director and  
Chief Executive Officer

Place : Mumbai  
Date : 15th June, 2007

# ASHAPURA MINECHEM LIMITED

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

### SCHEDULE - A SHARE CAPITAL

|   | 31st March, 2007<br>Rs. | 31st March, 2006<br>Rs. |
|---|-------------------------|-------------------------|
| <b>Authorised</b>   |                         |                         |
| 12,000,000 Equity Shares of Rs. 10/- each                           | 120,000,000             | 120,000,000             |
| 300,000 Preference Shares of Rs. 100/- each                         | 30,000,000              | 30,000,000              |
| <b>TOTAL</b>  | <b>150,000,000</b>      | <b>150,000,000</b>      |
| <b>Issued, Subscribed and Paid-up</b>                               |                         |                         |
| 39,121,285 (32,254,000) Equity Shares of Rs. 2/- each fully paid-up | 78,242,570              | 64,508,000              |
| <b>TOTAL</b>  | <b>78,242,570</b>       | <b>64,508,000</b>       |

### SCHEDULE - B RESERVES AND SURPLUS

|   | 31st March, 2007<br>Rs. | 31st March, 2006<br>Rs. |
|---|-------------------------|-------------------------|
| <b>Capital Reserve</b>                      | <b>31,611,461</b>       | <b>31,611,461</b>       |
| <b>Securities Premium Account</b>           |                         |                         |
| Balance at the beginning of the year        | 83,301,124              | 77,578,000              |
| Premium received during the year            | 1,455,001,679           | 5,723,124               |
| Utilized for share expenses                 | (30,421,470)            | —                       |
| <b>Capital Redemption Reserve</b>           | <b>390,000</b>          | <b>390,000</b>          |
| <b>General Reserve</b>                      |                         |                         |
| Balance at the beginning of the year        | 784,554,634             | 384,554,634             |
| Transferred from Profit & Loss Account      | 725,445,366             | 400,000,000             |
| <b>Foreign Currency Translation Reserve</b> | <b>(9,474,501)</b>      | <b>(3,188,885)</b>      |
| <b>Profit &amp; Loss Account</b>            | <b>911,967,016</b>      | <b>472,741,994</b>      |
| <b>TOTAL</b>                                | <b>3,952,375,309</b>    | <b>1,369,410,328</b>    |

### SCHEDULE - C MINORITY INTEREST

|                              | 31st March, 2007<br>Rs. | 31st March, 2006<br>Rs. |
|------------------------------|-------------------------|-------------------------|
| As per last Year             | (77,169)                | (263,844)               |
| Share of Profit for the Year | 698,512                 | 186,675                 |
| <b>TOTAL</b>                 | <b>621,343</b>          | <b>(77,169)</b>         |