



Value Beyond Mining

ANNUAL REPORT
2011 2012





CONTENTS

Page Nos.

| | |
|---|-------|
| Notice | 01 |
| Directors' Report | 03-14 |
| Corporate Governance Report | 15-24 |
| Management Discussion & Analysis | 25-27 |
| Auditors' Report | 29-31 |
| Balance Sheet | 32 |
| Profit & Loss A/c. | 33 |
| Cash Flow Statement | 34-35 |
| Schedules A to P | 36-55 |
| Statement u/s. 212 of the Companies Act | 56-57 |
| Consolidated Financial Statements | 58-83 |
| Financial details of the Subsidiary Companies | 84-86 |

ASHAPURA MINECHEM LIMITED

BOARD OF DIRECTORS

Executive Directors

Mr. Navnitlal Shah
(Executive Chairman)

Mr. Chetan Shah
(Managing Director)

Non-Executive Directors

Mr. Piyush Vora

Mr. Ashok Kadakia

Mr. Abhilash Munsif

Mr. Harish Motiwalla

Mr. Rajendra Khanna
(Nominated by EXIM Bank)

Company Secretary

Mr. Sachin Polke

Auditors

M/s. Sanghavi & Company
Chartered Accountants

Bankers

Bank of India &
other Banks in the Consortium

● **REGISTERED AND ADMINISTRATIVE OFFICE**

Jeevan Udyog Bldg., 3rd Floor,
278, D.N.Road, Fort,
Mumbai - 400 001.
Tel No. +91-22-66221700
Fax No. : +91-22-22079395 / +91-22-22074452

● **SHARE TRANSFER AGENT**

M/s Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West), Mumbai - 400 078.
Tel. : +91-22-25963838, Fax: +91-22-25946969

E-mail : rnt.helpdesk@linkintime.co.in

● **PLANT LOCATIONS**

Plot No. 256/3, Village Baraya,
Bhuj-Mundra Highway, Tal. Mundra,
Kutch (Gujarat) - 370 415.

Survey No. 328/2, KINFRA Apparel Park,
Menamkulam, Thiruvananthapuram,
Kerala - 695586.

Plot No. 182, Baikampady Industrial Area,
Baikampady, New Mangalore- 575011

● **SHAREHOLDERS INFORMATION**

The Company's Securities are listed on the
following Stock Exchanges

Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.

National Stock Exchange of India Limited
"Exchange Plaza", Bandra Kurla Complex,
Bandra (East), Mumbai - 400051



NOTICE

NOTICE is hereby given that the Thirty First **Annual General Meeting** of the Members of **ASHAPURA MINECHEM LIMITED** will be held on Friday, the 28th day of September, 2012, at 11.00 a.m. at Babasaheb Dahanukar Sabhagriha, Maharashtra Chamber of Commerce, Oricon House, 6th Floor, 12, K. Dubhash Marg, Kaala Ghoda, Fort, Mumbai - 400 001 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Shri Piyush Vora, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Harish Motiwala, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Sanghavi & Co., Chartered Accountants, as Auditors of the Company and to pass the following resolution:

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Sanghavi & Co., Chartered Accountants (Registration No – 109099W), be and are hereby appointed as the Auditors of the Company for the purpose of audit of the Company's Accounts and to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting at such remuneration as may be mutually agreed between the Board of Directors and the Auditors of the Company."

5. To appoint Branch Auditors:

"RESOLVED THAT pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors be and is hereby authorised to re-appoint in consultation with the Company's Auditors, M/s. B. Purushottam & Co., Chartered Accountants, Chennai, as Branch Auditors for Company's Branches at Chennai, Dharur, Hospet, Kodur & Trivendrum, for carrying out the audit of the books of

accounts for the financial year 2012-2013 and to hold their office until the conclusion of next Annual General Meeting and to fix their remuneration."

By order of the Board of Directors

sd/-

Sachin Polke
Company Secretary

Place : Mumbai

Date : 8th August, 2012

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY(IES) TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing proxy in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. Members are requested to bring their copies of Annual Report and duly filled Attendance Slip for attending the Meeting.
4. Members are requested to address all correspondences, including dividend matters, to the Registrars and the Share Transfer Agents, M/s. Link Intime India Pvt. Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078.
5. The members are requested to intimate, well in advance, to the Company and to the Depositories, as the case may be, of the changes in their addresses with the postal pin code numbers and also the e-mail id's & particulars of their Bank Account Numbers to minimise the chances of fraudulent encashment of the future dividend warrants/cheques/ drafts, if any.
6. The Company's Transfer Books will remain closed from 18th September, 2012 to 28th September, 2012 (both days inclusive).

7. The relevant details of Directors seeking re-appointment under item number 2 & 3 of the Notice, as required under clause 49 of the Listing Agreement entered into with the Stock Exchanges are appearing in the Corporate Governance Report, which forms part of the Annual Report.
8. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with Company Secretary at the Company's Registered Office. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 205A of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.
9. Queries on accounts and operations of the Company, if any, may please be sent to the Company ten days in advance of the meeting so that the answers may be made available at the Meeting.
10. The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" allowing paperless compliances by Companies through electronic mode. Companies are now permitted to send various notices/ documents to its shareholders through electronic mode to the registered email addresses of shareholders.

To support this green initiative and to receive communication from the Company through electronic mode, members who have not registered their e-mail addresses and holding shares in physical form are requested to contact the Company's Registrar & Share Transfer Agent and register their e-mail ID and Members holding shares in dematerialised form are requested to contact their Depository Participant. Members may please note that notices, annual reports, etc. will also be available on the Company's website viz. **www.ashapura.com**.

By order of the Board of Directors

sd/-

Sachin Polke
Company Secretary

Place : Mumbai

Date : 8th August, 2012

Registered Office :

Jeevan Udyog Building,
3rd Floor, 278, D. N. Road, Fort,
Mumbai - 400 001.



DIRECTORS' REPORT

To
The Members

The Directors submit the Annual Report of the Company together with the Audited Statements of Accounts (Standalone & Consolidated) for the year ended 31st March, 2012.

FINANCIAL RESULTS AND PERFORMANCE:

| | Ashapura Minechem Ltd. (₹. in Lacs) | | Consolidated (₹. in Lacs) | |
|---|--|-------------|------------------------------|-------------|
| | 2011-12 | 2010-11 | 2011-12 | 2010-11 |
| Net Sales / Income from operations | 42,764.22 | 45,080.32 | 65,259.99 | 63,562.06 |
| Less: Total Expenditure | 42,124.20 | 44,465.76 | 63,232.93 | 60,537.76 |
| Profit /(Loss) from Operations before Dep., Interest, Other Income and exceptional items | 640.02 | 614.56 | 2,027.06 | 3,024.30 |
| Less: Depreciation | 1,091.23 | 1,072.28 | 2,791.27 | 2,644.71 |
| Profit /(Loss) from Operations before Other Income and exceptional items | (451.21) | (457.72) | (764.21) | 379.59 |
| Add: Other Income | 1,333.85 | 1,090.28 | 1,116.18 | 915.35 |
| Profit /(Loss) before Exceptional and Extraordinary Items and tax | 882.64 | 632.56 | 351.97 | 1,294.94 |
| Exceptional Items | (226.40) | (51,202.88) | (3,170.79) | (51,202.88) |
| Extra-ordinary Items | — | (214.73) | — | (214.73) |
| Profit /(Loss) before tax | 656.24 | (50,785.05) | (2,818.82) | (50,122.67) |
| Tax Expenses | | | | |
| Current Tax | — | — | 549.48 | 622.66 |
| Earlier Year's Tax | (4.56) | 151.63 | (14.40) | 213.36 |
| Deferred | — | 9,100.00 | 16.02 | 9,210.30 |
| Net Profit / (Loss) | 660.81 | (60,036.68) | (3,369.92) | (60,168.99) |
| Minority Interest | — | — | (0.63) | (2.02) |
| Share of Profit/(Loss) in Associate Company | — | — | 6.16 | (35.39) |
| Net Profit / (Loss) of Group | 660.81 | (60,036.68) | (3,364.39) | (60,206.41) |

During the year under review the Stand-alone Sales/Income from Operations for the year ended 31st March, 2012 stood at ₹. 42,764.22 Lacs as against ₹. 45,080.32 Lacs in year ended 31st March, 2011. The Net Profit of the Company stood at ₹. 660.81 Lacs.

In respect of Consolidated Accounts, the Sales / Income from Operations stood at ₹. 65,259.99 Lacs & the Net Loss stood at ₹. 3,364.39 Lacs for the year ended 31st March, 2012 which was mainly attributable to increase in Cost of Materials which stood at ₹. 13,572.57 Lacs as against ₹. 8,897.90 Lacs for the year ended 31st March, 2011.

DIVIDEND:

In view of losses incurred, your Directors have not recommended any Dividend for the year 2011-2012.

REVIEW OF OPERATIONS:

The standalone turnover for the year ended 31st March, 2012, stood at ₹ 41,881.64 lacs as against ₹ 45,198.35 lacs. The turnover for the entire Ashapura Group stood at ₹ 62,809.67 lacs as against ₹ 61,832.25 lacs in the previous year.

The Company has a unique a Muti-Mineral business model wherein each of the Company's Minerals caters to a diverse set of industries. This diversity of users in turn helps spread the industrial & geographical risks associated with the business.

The demand for the Company's Minerals was fairly resilient for a better part of the financial year. Bentonite which is an important constituent of the Company's Mineral portfolio is very versatile in its applications; it is used in iron ore pelletization, foundries, oil well drilling, etc. Value added Bentonite is also used in manufacture of paper and cosmetics. The Company's Bentonite business exhibited a fairly healthy growth over last year on a consolidated basis. Bauxite the other important constituent of the Company's Mineral portfolio is the primary ore for making Aluminium metal. Bauxite is also used as an additive in the Cement industry. Despite the benign metal prices for the second half of the financial year, the prices for Bauxite remained firm.

Bentonite and Bauxite together account for more than two thirds of the Company's revenue on a standalone basis.

The Company sources Barytes and Iron Ore in India and exports them to several countries. Global volatility in both demand and prices coupled with supply constrains restricted the Company's growth in these segments.

Mining being a primary industry, there is generally a time lag between the reflection of an economic acceleration or deceleration on the order book of the Company.

COMPANY'S REFERENCE TO BOARD FOR INDUSTRIAL & FINANCIAL RECONSTRUCTION (BIFR):

Your Company based on the Audited Accounts for the year ended 31st March, 2011, decided to make a reference to Board for Industrial & Financial Reconstruction (BIFR) and as such the same was registered with the BIFR as Case No. 34/2011.

At BIFR, after several hearings & submissions from the Company & other parties, your Company was declared a "SICK" Company U/s. 3(1)(o) of the SICA. Accordingly, the BIFR Bench appointed Bank of India as Operating Agency with directions to submit Draft Rehabilitation Scheme (DRS). The Company is now working on a draft DRS to be circulated to the Bankers for their review & consideration.

SUBSIDIARIES:

a) Bombay Minerals Limited

Bombay Minerals Limited is the wholly-owned subsidiary of your Company. The said Company reported a turnover of ₹ 1,193.38 lacs during the year as compared to ₹ 2,798.39 lacs in the previous year. The reduction in turnover resulted in net loss of ₹ 51.43 lacs as against net profit of ₹ 375.26 lacs in the previous year.

b) Ashapura International Limited

Ashapura International Limited, the wholly-owned subsidiary of your Company, has performed well during the year under review. The turnover of the said Company doubled during the year under review & stood at ₹ 15,581.16 lacs as against a turnover of ₹ 7,705.96 lacs in the previous year. However, the expenditure also increased in the same proportion which resulted in minimal increase in net profit which stood at ₹ 483.25 lacs as against ₹ 451.91 lacs in the previous year.

c) Ashapura Aluminium Limited

Ashapura Aluminium Limited is the wholly-owned subsidiary of your Company. The said Company is primarily engaged in creating a platform for setting up Alumina Refinery in the Kutch District of Gujarat, based on the in-principle approval received from the Government of Gujarat.

d) Ashapura Claytech Limited

Your Company owns 95.25 percent of the share capital of Ashapura Claytech Ltd. The turnover of the said Company increased by approx. 42 percent and stood at ₹ 649.24 lacs as against turnover of ₹ 457.15 lacs in the previous year. The net profit of the said Company stood at ₹ 13.23 lacs as compared to ₹ 42.54 lacs in the previous year.

e) Ashapura Minechem (UAE) FZE

Ashapura Minechem (UAE) FZE is the wholly-owned subsidiary of your Company established in United Arab Emirates (UAE) and is engaged in the business of import, export and distribution of industrial minerals and other related activities. The turnover of the said Company declined by approx. 52 percent and stood at ₹ 579.96 lacs (USD 12.15 lacs) as against turnover of approx. ₹ 1,149.80 lacs (USD 25.69 lacs) in the previous year. The net loss of the said Company stood at approx. ₹ 3,171.72 lacs (USD 66.45 lacs) as the Company provided for impairment of loss for investment in Joint Venture & advancing of loan to EMO Ashapura Energy & Mining Limited.



f) Ashapura Holdings (UAE) FZE

The said Company is a wholly-owned subsidiary of Ashapura Minechem (UAE) FZE and a step down subsidiary of your Company. During the year under review, there were no earnings in the said Company and the total expenditure incurred is considered as net loss which stood at approx ₹ 7.97 lacs (USD 16,699).

g) Ashapura Maritime FZE

The said Company is a wholly-owned subsidiary of Ashapura Holdings (UAE) FZE and a step down subsidiary of your Company. The said Company is engaged in ship management & operations and has currently leased a vessel from its 100 percent subsidiary – Asha Prestige Co, a Company incorporated in Marshall Islands. During the year under review, the Company earned an income of ₹ 1,295.94 lacs (USD 27.15 lacs). However, it incurred a net loss of approx. ₹ 2,578.37 lacs (USD 54.02 lacs) after providing for impairment on carrying value of vessel.

h) PT. Ashapura Resources Indonesia

The said Company is subsidiary of Ashapura Minechem (UAE) FZE and a step down subsidiary of your Company.

The said Company is incorporated with an object of tapping mining opportunities in Indonesia especially for minerals like Bauxite, Coal and Manganese Ore. During the year under review there was no operating income earned by the said Company and the expenditure incurred was considered as net loss which stood at approx. ₹ 112.16 lacs (USD 2.35 lacs).

The said Company is in the process of winding-up its operations in Indonesia and is exploring to look at other possible avenues in this industry.

JOINT VENTURES AND ASSOCIATES:

i) Ashapura Volclay Limited

Ashapura Volclay Limited is a 50:50 Joint Venture between your Company & M/s. Volclay International Corporation, USA. The said Company reported a turnover of ₹ 14,538.79 lacs as against a turnover of ₹ 12,614.08 lacs in the previous year. The net profit stood at ₹ 1,362.93 lacs for the year under review as compared to ₹ 935.86 lacs in the previous year.

During the year under review the said Company initiated the expansion process which will make its Bhuj facility the largest in the world for Acid Activated Bleaching Earth.

j) Ashapura Midgulf NV (previously known as “Ashapura Amcol NV”)

Your Company together with its wholly-owned subsidiary – Ashapura Minechem (UAE) FZE owns 50 percent stake in Ashapura Midgulf NV (previously known as “Ashapura Amcol NV”), a Company incorporated in Belgium with an object of developing, trading, manufacturing and marketing of clay mineral products & such other connected therewith.

During the year under review, the said Company’s sales income stood at ₹ 4,441.35 lacs (Euro 65.39 lacs) and the net profit stood at ₹ 1,855.68 lacs (Euro 27.32 lacs). The said Company’s Income Statement also shows other income which comprised of write-back of loan liability on settlement reached between the Company & M/s. Amcol Minerals Europe.

k) Ashapura Arcadia Logistics Private Limited

Your Company holds 50 percent of Share Capital in Ashapura Arcadia Logistics Private Limited. The said Company’s total income stood at ₹ 536.93 lacs as compared to income of ₹ 579.03 lacs in the previous year. The net profit of the said Company stood at ₹ 13.84 lacs as compared to a net loss of ₹ 55.65 lacs in the previous year.

STATUS OF THE PENDING LITIGATIONS:

a) The Contracts of Affreightment entered into by the Company with Shipping Companies - viz. [1] British Marine PLC [2] I.H.X. (UK) Ltd [3] Eitzen Bulk A/s and [4] Armada Singapore Pte Ltd.

The Company has successfully settled the claims with British Marine Plc. In case of the other shipping companies, the Company is facing applications for enforcement of ex-parte awards passed in respect of three Contracts of Affreightment in the Bombay High Court filed by remaining shipping companies for approx. US \$ 126.07 million.

Since the award of claims of each of the three shipping companies were heavily exaggerated the Company has much prior in time filled an application for enforcement of award, initiated legal proceedings against the alleged arbitration award in the Civil Court at Jam-Khambhaliya, Gujarat on the ground of opposed to the Public Policy of India.

- b) In case of Forex Derivatives Contracts, the Company has taken legal opinion that these contracts are void and are not legally enforceable. It has been further advised by the counsels that the Company can take legal actions for challenging the validity of the said contracts. In light of the recently concluded court cases, the Company has approached the Bankers to settle the claims amicably.
- c) United States Bankruptcy Court, S.D. New York Granted the Petition for Recognition of Foreign Proceeding with the admonition that periodic status conferences shall be held, approximately once every 60 days, regarding the progress of the SICA Proceeding and without prejudice to the rights of the Objectors or other affected creditors to show that the proceedings in India, in actual practice, are prejudicing the rights of the Objectors and of other unsecured creditors similarly situated to the Objectors.

SUBSIDIARIES:

The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2 and 3 dated 8th February, 2011 and 21st February, 2011, respectively has granted a general exemption from compliance with provisions of Section 212 of the Companies Act, 1956. Accordingly, the Annual Report of the Company does not contain the individual financial statements of its subsidiaries. However, a gist of the financial details of the Subsidiary Companies is contained in the Annual Report.

The Annual Accounts of the Subsidiary Companies along with the related information are available for inspection at the Company's Registered Office and copies shall be provided on request.

EMPLOYEE STOCK OPTION SCHEME:

Your Company, as approved by the members at the Extra Ordinary General Meeting held on 31st May, 2004, had introduced a Stock Option Scheme - the Employees Stock Option Plan – 2004 ("ESOP 2004") for its employees and the employees of its subsidiary Companies.

The said 'Employees Stock Option Scheme – 2004' expired on 14th June, 2011 and all the remaining options stand lapsed

The information required to be disclosed in terms of the provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, is set out in the Statement annexed hereto (Annexure II) and forms part of this Report.

As required under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guideline, 1999, the Auditors' Certificate on ESOP is set out in the Statement annexed hereto (Annexure III) and forms part of this Report.

CORPORATE GOVERNANCE:

Pursuant to the Clause 49 of the Listing Agreement entered into with Stock Exchanges, Report on Corporate Governance alongwith Management Discussion and Analysis and Auditor's Certificate on compliance with the Corporate Governance requirements is set out in the Statement annexed hereto (Annexure IV) and forms part of this Report.

DIRECTORS:

Retire by Rotation:

In accordance with the provisions of Section 256 of the Companies Act, 1956, Shri Piyush Vora and Shri Harish Motiwalla are liable to retire by rotation and being eligible offer themselves for re-appointment.

The brief details of the said Directors have been provided in Corporate Governance Report under the heading "Board of Directors".

DIRECTORS' RESPONSIBILITY STATEMENT:

As required under the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm:

- i) that in the preparation of the Annual Accounts for the year ended 31st March, 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) that the Directors had 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 ended 31st March, 2012 and of the PROFIT of the Company for the year under review;
- iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;