

***DIRECTORS***

Shri A. K. Agarwala  
Shri Biswajit Choudhuri  
Shri J. C. Chopra  
Shri P. P. Sharma  
Shri G. M. Dave  
Shri K. K. Maheshwari  
Shri Lalitkumar S. Naik  
Shri K. C. Jhanwar

***MANAGING DIRECTOR***

Shri S. S. Gupta

***COMPANY SECRETARY***

Shri Akash Mishra

***BANKERS***

HDFC Bank Limited  
State Bank of India  
Axis Bank Limited  
IDBI Bank Limited

***STATUTORY AUDITORS***

M/s. Khimji Kunverji & Co.  
Chartered Accountants  
Mumbai

***COST AUDITORS***

M/s. S. Gupta & Co.  
Cost Accountants  
Kolkata

***REGISTERED OFFICE***

“Ghanshyam Kunj”  
Garhwa Road, P.O. Rehla-822 124  
Distt. Palamau (Jharkhand)  
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**DIRECTORS' REPORT TO SHAREHOLDERS****Dear Shareholders,**

We are pleased to present the 35th Annual Report together with the Annual Accounts of your Company for the financial year ended 31st March 2011.

**FINANCIAL PERFORMANCE**

The performance of the Company for the Financial Year ended 31st March 2011 is summarised below :

	<b>Rs. in lacs</b>	
	<b><u>2010-2011</u></b>	<b><u>2009-2010</u></b>
Gross Turnover	<b>26107.05</b>	24107.63
Gross Profit/(Loss)	<b>9180.59</b>	9125.91
Depreciation	<b>(2036.26)</b>	(2003.57)
Profit before Tax	<b>7144.33</b>	7122.34
Provision for current tax	<b>(1429.36)</b>	(1234.34)
Provision for deferred tax	<b>(32.24)</b>	(130.26)
MAT Credit Entitlement	<b>588.08</b>	316.53
Profit/(Loss)after Tax	<b>6270.81</b>	6074.27
Adjustment of Taxes for earlier years	<b>(40.85)</b>	(724.81)
Balance brought forward from previous year	<b>21517.25</b>	16880.56
Balance available for Appropriation	<b>27747.22</b>	22230.02
<b>APPROPRIATIONS :</b>		
Proposed Dividend	<b>116.93</b>	350.80
Tax on Proposed Dividend	<b>18.97</b>	58.26
Transfer to General Reserve	<b>—</b>	303.71
Balance carried to Balance Sheet	<b>27611.32</b>	21517.25

**DIVIDEND**

In view of funds needed for augmentation, your Directors recommends dividend @ 5 % i.e. Re. 0.50 per share on the paid up equity share of Rs. 10/- each of the Company.

**OPERATING RESULTS & PROFITS**

Your Company is continuously moving towards its journey of excellence in the Chlor Alkali segment. Despite the increase in input costs such as Power, Coal and other raw materials, the unstable supply of Power from the Grid, the Company has reported an excellent performance in all spheres of its activities.

For the year under review, the gross turnover was higher by 8.29 % at Rs. 261.07 crores as compared to Rs. 241.08 crores in the previous year. Net sales stood at Rs. 236.25 crores as compared to Rs. 221.86 crores in the previous year. Profit before tax rose to Rs. 71.44 crores as the against preeceding year's profit at Rs. 71.22 crores. After tax adjustment , the net profit has risen marginally at Rs. 62.71 crores in comparison to Rs. 60.74 crores in the earlier year.

*A more detailed discussion and analysis on the performance of your Company for the year under review as well as the outlook and focus for the coming year is contained under the chapter on Management Discussion and Analysis Report.*

**ACQUISITION & EXPANSION**

We are pleased to inform you that the Board of Directors of your Company has approved the acquisition of the Chloro Chemicals Division of Kanoria Chemicals & Industries Limited for a cash consideration of Rs. 830 crores in its meeting held on 16th April 2011. This plant is a state of art facility located at Renukoot, Uttar Pradesh, manufacturing Chlor-Alkalis, Chlorine derivatives and water treatment chemicals. It is highly cost competitive, driven by strengths of the latest manufacturing technology, captive power plants with coal linkage and forward integration into value adding chlorine derivatives. The current annual capacity of caustic

**DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)**

soda at the facility is 115,000 TPA. With this acquisition, the total caustic soda capacity of your Company will increase from 105,000 TPA to 220,000 TPA. This transaction takes your Company to a higher growth trajectory.

The transaction will be done on a slump sale basis and is subject to customary corporate and other approvals. It is expected to be completed towards the end of May 2011. The financing of this transaction will be arranged from internal accruals and borrowings. The limit of borrowings proposed to be enhanced is upto Rs. 1200 crores, for which an Extra Ordinary General Meeting of Members of the Company has been called on 17th May 2011.

As informed in last Report about our proposed expansion, the capacity of our Aluminium Chloride Plant has been raised from 25 TPD to 43 TPD through additional reactors, based on the latest technology, with a capital investment of Rs.8.64 crores.

**AWARDS AND ACCOLADES**

Your directors are pleased to share with you that in recognition of its exemplary work in communities, your Company has bagged the prestigious FICCI Award for "Rural & Community Development" for the year 2009-10. This award was conferred by Shri Pranab Mukherjee, Finance Minister, Govt of India, on Smt. Rajshree Birla, Chairperson, the Aditya Birla Centre for Community Initiatives and Rural Development. Your Company's CSR activities are carried out under its umbrella.

**COMMUNITY SERVICES**

For over two decades now your Company has been working single mindedly to make a qualitative difference to the lives of the underprivileged in 40 villages, in proximity to its plants. We reach out to nearly 62,000 people of whom more than 70% live below the poverty line. Your Company's activities extend to improving the lot of the rural poor through major initiatives in education, healthcare, sustainable livelihood and agriculture improvement programmes. Your Company's CSR team partners with the Rotary Club, the Kisan Club, the Pani Panchayat Committee, the Village Development Committee, several Government agencies and NABARD. Your Company's projects have set a new benchmark and are emulated by many other village communities.

**SAFETY, HEALTH, ENVIRONMENT PROTECTION AND POLLUTION CONTROL**

Your Company is committed to the safety of employees and processes and engaging all stakeholders involved directly or indirectly with our activities.

Your Company has taken various steps to promote safety, health and pollution control among it is the assessment of the operation and maintenance practices by Chlor alkali experts of India such as Mr. S. K. Khurana and Euro Chlor alkali expert Mr. Gye Mesrobian for the study of process safety, focusing on chlorine hazards. Our team is working on implementation of findings by both experts.

Your company has upgraded the plant's process safety through Instrumentation with the control & installation of RADAR Level transmitter in the caustic storage tank, Valve positioner in the Chlorine and Hydrogen valves of the HCL Furnace, modification in ignition logic in the Hydrogen Boiler, Pressure transmitter / Pressure gauges / temperature element in chlorine surge vessel of Aluminum Chloride Plant.

Your Company's continuous thrust is on conservation of natural resources resulting an ongoing reduction in the consumption of Water and Auxiliary power.

Your Company has also taken significant steps in its endeavor to protect the environment by maintaining a green belt inside the plant and planting trees around its location.

**DIRECTORS**

During the year, IDBI Bank Limited had withdrawn its nominee Shri S. C. Mathur from the Board of Directors of the Company w.e.f. 4th November 2010.

The Board has appointed Shri Girish Mohanlal Dave as Additional Director in the Board w.e.f. 16th April 2011.

## **DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)**

In accordance with the provisions of the Companies Act, 1956 and Company's Articles of Association, Shri Krishna Kishore Maheshwari and Shri Kailash Chandra Jhanwar, Directors retire by rotation and being eligible, offer themselves for re-appointment in the ensuing General Meeting.

The Board of the Company recommends the appointment / re-appointment of the eligible Directors.

### **CORPORATE GOVERNANCE**

As required under clause 49 of the Listing Agreement with the Stock Exchanges, the Report on Corporate Governance and Management Discussion and Analysis Report form part of this Report. The Company is in full compliance with the requirements and disclosures that have to be made in this regard. The Auditors' Certificate, confirming compliance, is attached to the Report on Corporate Governance.

### **LISTING OF SHARES**

The Company's shares are listed on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

### **TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND**

This was not applicable for the year under review.

### **FIXED DEPOSITS**

The Company did not raise funds by way of fixed deposits and, as such, no amount of principal or interest was outstanding as on the balance sheet date. .

### **AUDITORS AND AUDITORS' REPORT**

M/s. Khimji Kunvarji & Co., Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General meeting and are recommended for re-appointment. A Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of section 226 of the said Act.

The Notes on Accounts referred to in the Auditors' Report are self explanatory and do not call for any further comments.

### **COST AUDIT**

In line with the requirement of the Central Govt. and pursuant to Section 233B of the Companies Act, 1956, the Company carries out an audit of cost accounts relating to its product every year. The Company has re-appointed M/s. S. Gupta & Co., Cost Accountants, Kolkata, to audit the cost accounts relating to its products for the financial year 2011-12. A Certificate from the Cost Auditors has been received to the effect that their re-appointment would be within the limits prescribed under section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of section 226 of the said Act. The due date for filing of the Cost Audit Report is 180 days from the close of financial year and the Cost Audit Report of the Company for the financial year 2009-10 was filed on 25.08.2010 within the due date.

### **PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956**

Details of energy conservation, technology absorption, foreign exchange earnings and outgo required to be disclosed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in an Annexure forming part of this report.

In accordance with the provisions of Section 217(2A) read with Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are to be set out in the Directors' report, as an addendum thereto. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and

**DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)**

accounts as therein set out, are being sent to all members of the Company excluding the aforesaid information about the employees. Any member, who is interested in obtaining such particulars about employees, may write to the Company Secretary at the Registered Office of the Company.

**CODE OF CONDUCT**

In terms of requirement of Clause 49 of the Listing Agreement, the Board of Directors of Aditya Birla Chemicals (India) Limited has laid down a Code of Conduct for all Board Members and Senior Management of the Company, which is posted on the website of the Company. The Board Members and Senior Management have affirmed compliance with the Code of Conduct of the Company.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors wish to inform that the Audited Accounts containing Financial Statements for the financial year ended 31st March 2011 are in full conformity with requirements of the Companies Act, 1956. Your Directors believe that the Financial Statements reflect fairly, the form and substance of transactions carried out during the year and reasonably present the Company's financial condition and result of operations.

As stipulated in Section-217 (2AA) of the Companies Act, 1956, your Directors subscribe to the Directors' Responsibility statement and confirm that:

- i) in the presentation of the Annual Accounts, applicable accounting standards have been followed ;
- ii) the accounting policies have been consistently applied and reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of your Company as at 31st March 2011 and of the profit for the financial year ended 31st March 2011;
- iii) 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 your Company and for preventing and detecting frauds and other irregularities ;
- iv) the annual accounts of your Company have been prepared on a going concern basis ;
- v) the Company's Internal Auditors had conducted periodic audits to provide reasonable assurance that the Company's established policies and procedures have been followed.

**INDUSTRIAL RELATIONS**

The industrial relations with the employees and workmen of the Company continued to be cordial. Your Company continues to better the manpower productivity.

**ACKNOWLEDGEMENTS**

The Directors wish to convey their appreciation to all of the Company's employees for their enormous personal efforts as well as their collective contribution to the Company's performance.

The Directors wish to thank to all the shareholders, customers, dealers, suppliers, bankers, financial institutions, Govt. authorities and all other business associates for the continued support to the Company and their confidence in its management.

For and on behalf of the Board of Directors

Camp : Mumbai  
Dated : 26th April 2011

A. K. Agarwala  
Director

L. S. Naik  
Director

**DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)**

**Information under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 and forming part of the Directors' Report for the year ending 31st March 2011**

**A. CONSERVATION OF ENERGY :**

**(a) Energy conservation measures taken :**

- Installation of variable fluid coupling in primary air fan
- Replacement of CT fan blade with energy efficient
- Replacement of old and inefficient pump- motor set
- Replacement of two cooling water pumps with single higher rating energy efficient pump.
- Optimization of cooling tower pumps operation.
- Replacement of conventional luminaries with energy efficient CFL & LED luminaries.
- Installation of VFDs at various locations.
- Installation of Solar Water heater
- Installation of Capacitor banks.

**(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :**

- Installation of VFDs.
- Provision of direct pumping of Caustic to CEU.
- Installation of dedicated air compressor for Nitrogen unit to facilitate common air compressor to operate at lower discharge pressure.

**(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :**

- The above measures have resulted in energy saving and consequently led to a reduction in the cost of production.

**(d) Total energy consumption and energy consumption per unit of production :**

- As per Form "A" attached.

**B. TECHNOLOGY ABSORPTION :**

- Efforts made in technology absorption as per Form "B" attached.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO :**

**(a) Activities relating to exports :**

- The Company exports Chlorine, Hydrochloric Acid and Stable Bleaching Powder to Nepal, Bangladesh, Malaysia and Bhutan.

**(b) Total foreign exchange used and earned :**

- Foreign exchange earned : Rs. 47.78 lacs
- Foreign exchanged used : Rs. 526.62 lacs

# ADITYA BIRLA CHEMICALS (INDIA) LIMITED

## ANNEXURE

### FORM "A"

#### DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

##### A. POWER AND FUEL CONSUMPTION

Current year  
2010-11

Previous year  
2009-10

##### 1. Electricity

##### (a) Purchase

Unit (KWH in thousand)

40977

44130

Total amount (Rs. In lacs)

1484.90

1361.45

Rate/ unit (Rs.) (Average Cost)

3.62

3.08

##### (b) Own generation (Net)

##### (i) Through Diesel generator

Unit (KWH in thousand)

8

27

Unit per Ltr. of diesel oil

2.96

2.52

\*Cost/ unit (Rs.)

13.10

13.27

(\* higher due to fuel consumption on regular test run of DG set)

##### (ii) Through steam turbine/ generator (Net)

Unit (KWH in thousand)

219152

219855

Total amount (Rs. In lacs)

4463.79

4402.27

Rate/ unit (Rs.) (Average cost)

2.03

2.00

##### 2. Coal used in Boiler of 'E' & 'F' Grade

Quantity (Tonnes in thousand)

212.25

213.27

Total Cost (Rs. in lacs)

3000.40

3037.81

Average rate per tonne (Rs.)  
(Average cost)

1413.59

1424.66

##### 3. Furnace Oil/ HSD

Quantity (K. Ltr.)

234.92

195.78

Total Amount (Rs. in lacs)

91.30

65.61

Average rate/ Ltr. (Rs.)  
(Average cost)

38.86

33.51

##### 4. Others/ internal generation (Please give details)

Quantity

Nil

Nil

Total cost

Nil

Nil

Rate / unit

Nil

Nil

##### B. CONSUMPTION PER UNIT OF PRODUCTION

Products (with details) Unit

Standards

Current Year  
2010-11

Previous year  
2009-10

Electricity (KWH/MT)

2511

2504

2486

Furnace oil (Ltr./ MT)

—

—

—



## FORM "B"

## DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

## RESEARCH &amp; DEVELOPMENT

- |   |  |
|---|--|
| <b>1. Specific areas in which R &amp; D is carried out by the Company</b> | : ● Installation of 3rd coal feeders for enhanced plant availability.<br>● Change in the composition of boiler refractory materials for enhanced performance and duration.<br>● Installation and commissioning of air handling unit for temperature control of HT & LT electrical panels and turbine auxiliaries.  |
| <b>2. Benefits derived as a result of above R &amp; D</b>                 | : ● Plant performance improved and significant savings achieved.<br>● Better operational control and safety in CPP & CP.<br>● Reduced specific power consumption in Caustic Soda & Power Plant.<br>● Overall down time of equipments reduced.  |
| <b>3. Future plan of action</b>   | : ● Replacement of 18KA DC Breaker of Isolator and shunt.<br>● Installation of more VFDs and other energy saving schemes.<br>● Silo dust conditioner rehabilitation for loading to closed tanker.<br>● Replacement of single tube and shell type transformer oil cooler with double tube and shell type oil cooler<br>● Replacement of Super heater # 1 & Evaporator Coil bundles.<br>● Recovery of Sodium hypochlorite generated at SBP and Aluminum Chloride plants to main plant. |
| <b>4. Expenditure on R &amp; D</b>  | : ● Rs. 10.50 lacs – for system modification.<br>● Rs. 75.61 lacs – for energy saving schemes.   |

## TECHNOLOGY ABSORPTION, ADOPTION &amp; INNOVATION

- Installation of independent baby compressor in DE System Coal Handling Plant for control on dust emission.
- UPS control supply to critical LT motors.
- Modification in seam welding machine in GI Drum plant.
- Modification in cooling water return line of rectified transformer oil coolers.

## REPORT ON CORPORATE GOVERNANCE

Corporate Governance is about commitment to values and about ethical business conduct. It is about how an organization is managed. This includes its corporate and other structure, its culture, policies and the manner in which it deals with various stakeholders. Accordingly, timely and accurate disclosure of information regarding the financial performance, ownership and material development affecting the Company, is an integral part of Corporate Governance. Adoption of good Corporate Governance practices helps to develop a good image of the organization, attracts best talent and keeps stakeholders satisfied.

## COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Company believes that sound Corporate Governance is critical to enhance and retain investors' trust. Accordingly, your Company seeks to attain its performance with integrity and fairness. The Company's philosophy is based on Accountability, Ethical conduct, Compliance with statutes, Interest of all stakeholders, Transparency and Timely disclosure. The objective is to institutionalize Corporate Governance practices that go beyond adherence to the extant of regulatory framework.

The Company is in full compliance with the requirements under Clause 49 of the Listing Agreement with the Stock Exchanges.

## BOARD OF DIRECTORS

The Board of Directors, as on 31st March 2011, comprises eight Directors out of which seven are non-executive Directors. Since the Company does not have a Chairman, Directors present in the meeting elect one of them to take the chair and a non-executive Director is appointed as Chairman of the meeting. The Majority of the Directors are non-executive and more than one-third of the total strength of the Board is independent. All the directors are above 21 years of age and are not related with each other in any manner. The composition of the Board as on 31st March 2011, attendance at Board meetings held during the financial year under review and at the last Annual General meeting and number of Directorships and Memberships/ Chairmanships in public Companies held by Directors as on 31st March 2011 (including the Company) are given below :

Name of Director	Category	No. of Board meetings held	No. of Board meetings attended	*No. of Other Directorships	**Committee Membership		Attendance at last AGM
					Member	Chairman	
Shri A. K. Agarwala	Non-Executive	4	3	5	–	–	No
Shri K. K. Maheshwari	Non-Executive	4	–	2	2	1	No
Shri L. S. Naik	Non-Executive	4	3	2	4	–	Yes
Shri K. C. Jhanwar	Non-Executive	4	4	1	1	–	Yes
Shri Biswajit Choudhuri	Independent	4	4	10	3	3	Yes
Shri P. P. Sharma	Independent	4	3	3	–	–	Yes
Shri J. C. Chopra	Independent	4	4	3	1	–	Yes
Shri S. S. Gupta	Managing Director	4	4	–	1	–	Yes
Shri S. C. Mathur [upto 4th Nov. 2010]	Nominee Independent	4	2	N.A.	N.A.	N.A.	No

\* Independent Director means a director defined as such under Clause 49 of the Listing Agreement

\* The Directorship held by Directors as mentioned above, does not include Alternate Directorships and Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies.

\* In accordance with Clause 49 of the Listing Agreement, Memberships/ Chairmanships of only the Audit Committee and Shareholders'/ Investors' Grievance Committee of all Public Limited Companies have been considered.