

LAST MAN
STANDING



FIRST MAN
FORWARD



ADITYA BIRLA CHEMICALS (INDIA) LIMITED

ANNUAL REPORT
2011-2012



Mr. G. D. Birla and Mr. Aditya Birla, our founding fathers.
We live by their values.
Integrity, Commitment, Passion, Scamlessness and Speed

DIRECTORS

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

MANAGING DIRECTOR

Shri V. R. Agrawal

UNIT HEAD (REHLA)

Shri B. B. Dixit

COMPANY SECRETARY

Shri Akash Mishra

BANKERS

HDFC Bank Limited
Bank of Baroda
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)
Phone : (06584) 262 211
 262 221, 262 488
Fax No : (06584) 262 205

CONTENTS

PAGE NO.

Directors' Report	3
Corporate Governance Report	10
Management Discussion and Analysis Report	21
Auditors' Report	23
Balance Sheet	27
Statement of Profit and Loss	28
Cash Flow Statement	29
Significant Accounting Policies	30
Notes on Financial Statements	33

DIRECTORS' REPORT TO SHAREHOLDERS

Dear Shareholders,

We are pleased to present the 36th Annual Report together with the Annual Accounts of your Company for the financial year ended 31st March 2012.

FINANCIAL PERFORMANCE

The performance of the Company for the Financial Year ended 31st March 2012 is summarised below :

	(₹ in crores)	
	<u>2011-2012</u>	<u>2010-2011</u>
Gross Turnover	665.18	261.07
Gross Profit/(Loss)	70.67	91.80
Depreciation	(54.02)	(20.36)
Profit before Tax	16.65	71.44
Provision for current tax	(3.33)	(14.29)
Provision for deferred tax	(11.61)	(0.32)
MAT Credit Entitlement	3.33	5.88
Current Tax adjustment for earlier years	(0.75)	(0.41)
Profit/(Loss) after Tax	4.29	62.30
Balance brought forward from previous year	276.11	215.17
Balance available for Appropriation	280.40	277.47
APPROPRIATIONS :		
Proposed Dividend	1.17	1.17
Tax on Proposed Dividend	0.19	0.19
Transfer to General Reserve	—	—
Balance carried to Balance Sheet	279.04	276.11

The journey of excellence of your Company has been furthered by acquisition of the Chloro Chemicals Division of M/s. Kanoria Chemicals & Industries Limited in May 2011. The acquired unit has been named as Renukoot Chemical Division. Despite the pressure of increasing input costs for power, coal and other raw materials and the unstable supply of power from the grid, the Company has succeeded in maintaining its excellent business performance.

The financial data of the Company for the year under review are inclusive of the financial data of Renukoot Chemical Division, hence these are not comparable with the previous year's financial data. After acquisition of Renukoot Chemical Division, the Net Sales of the Company significantly increased from ₹ 236.25 crores in the F.Y. 2010-11 to ₹ 609.08 crores in F.Y. 2011-12. The Company also registered a significant growth in its operating profit, from ₹ 94.44 crores in F.Y. 2010-11 to ₹ 151.37 crores in F.Y. 2011-12. The acquisition was funded by Term Loan of ₹ 750 crores and consequently the interest cost rose from ₹ 2.64 crores in F.Y. 2010-11 to ₹ 80.70 crores in F.Y. 2011-12. Depreciation expenses also increased from ₹ 20.36 crores in F.Y. 2010-11 to ₹ 54.02 crores in F.Y. 2011-12. All these factors led to a lower profit after tax, in spite of healthy operating profit post-acquisition. Profit before tax was ₹ 16.65 crores, against the preceeding year's ₹ 71.44 crores. After tax adjustment, the net profit stood at ₹ 4.29 crores, compared to ₹ 62.30 crores in the previous 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 included in the Management Discussion and Analysis Report.

DIVIDEND

In spite of lower post tax profit, your Directors recommend a dividend @ 5% i.e. ₹ 0.50 per share on the paid up equity share of ₹ 10/- each of the Company.

DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)

ACQUISITION & EXPANSION

We are pleased to report that your Company successfully acquired the Chloro Chemicals Division of M/s. Kanoria Chemicals & Industries Limited for a cash consideration of ₹ 830 crores in the month of May 2011 and christened it as Renukoot Chemical Division. This acquisition was funded by internal accruals and term borrowings of ₹ 750 crores from a consortium comprising HDFC Bank and Bank of Baroda.

The Company is in the process of converting the mercury cell plant at the Caustic Soda plant of Renukoot Chemical Division, with the energy efficient and environment friendly membrane cell technology and this will entail a capital investment of ₹ 150 crores. The new plant will be commissioned in the third quarter of 2012-13. There will also be a substantial increase in the capacity of the plant by 145 TPD after conversion. With the conversion of the Mercury Cell plant into membrane cell plant, the Company is poised for higher growth on account of higher production, lower power consumption and an eco-friendly environment.

AWARDS AND ACCOLADES

Your directors are pleased to share with you that in recognition of its exemplary work in overall maintenance and plant process, your Company's Rehla unit has bagged the "Chairman's WCM Gold Award" of Aditya Birla Group in 2011-12. In recognition of their exemplary work in communities, your Company received the "Agrotech Award 2012" from the prestigious Birsa Agriculture University, Ranchi for excellence in Agriculture & Watershed Development.

COMMUNITY SERVICES

Your Company has been working constantly to make a qualitative difference to the lives of the underprivileged people in 60 villages in proximity to its plants. It has reached out to nearly 115,000 people of whom more than 80% 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 works in collaboration with the Rotary Club, the Kisan Club, the Pani Panchayat Committees, the Village Development Committees, several Government agencies and NABARD. Your Company's projects have set a new benchmark and are often emulated by many other village communities. This has created an unprecedented urge in the nearby village communities to make a sincere effort towards uplifting the lot of the underprivileged people in the locality, leading to greater development of the community and economic progress.

SAFETY, HEALTH, ENVIRONMENT PROTECTION AND POLLUTION CONTROL

Your Company is committed to the safety of employees and is engaging all stakeholders involved, directly or indirectly, activities related to safety.

Your Company has taken various steps to promote safety, health and pollution control. The assessment of operation and maintenance practices is being carried out by leading Chlor alkali experts, among them Mr. S. K. Khurana and Euro Chlor alkali expert Mr. Gye Mesrobian, who have done the study on process safety with a focus on chlorine hazards. Our team is working to implement the findings of the two experts.

Your Company has taken specific steps to promote safety by way of entering into safety service agreement with M/s Du Pont India Pvt. Ltd. We are committed to implementing world class safety standards and embedding a safety culture throughout the organization. Our team is working to implement the systems that have been suggested by Du Pont experts.

Your Company has upgraded the plant's process safety through better instrumentation & control. Pressure transmitters have been installed in all 5 chlorine storage tanks. The old Mercury cell caustic soda plant has been stopped well ahead of the 2012 deadline set by the Govt. of India. Work has started on a new 145 TPD Caustic Soda plant, using environment friendly & energy efficient state of the art technology from UHDE and this plant is expected to be commissioned this year. To strengthen the safety system, seven additional chlorine sensors have been installed in the chlorine bottling and liquid chlorine storage tanks. To enhance environmental performance, STP of 100 KLD has been commissioned and this has been in operation since March 2012.

DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)

Your Company's continuous thrust is on conserving natural resources by reducing consumption of water and auxiliary power. Your Company has taken significant steps to protect the environment by maintaining a green belt inside the plant and planting of trees around the plant site.

DIRECTORS

During the year under review, Shri S. S. Gupta retired from the services of the Managing Director of the Company and the Board appointed Shri V. R. Agrawal as Managing Director of the Company effective from 24.10.2011, subject to approval of Shareholders of the Company in terms of the Companies Act, 1956. Shri K. K. Maheshwari resigned from the Board of Directors of the Company w.e.f. 6th August 2011.

In accordance with the provisions of the Companies Act, 1956 and Company's Articles of Association, Shri Biswajit Choudhuri and Shri Prem Prakash Sharma, Directors, retire by rotation and being eligible, offer themselves for re-appointment in the ensuing Annual General Meeting of the Company.

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

During the year under review, unclaimed dividend for financial year 2003-04 has been transferred to the Investor Education & Protection Fund.

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 products every year. The Company has appointed M/s. R. Nanabhoy & Co., Cost Accountants, Mumbai, to audit the cost accounts relating to its products for the financial year 2012-13. A Certificate from the Cost Auditors has been received to the effect that their appointment would be within the limits prescribed under section 224(1B) of the Companies Act, 1956 and that they are not disqualified for 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 2010-11 was filed on 06.09.2011, within the due date.

DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)

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 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 2012 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 2012 and of the profit for the financial year ended 31st March 2012 ;
- 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 improve 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

Place : Mumbai
Dated : May 11, 2012

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 2012

A. CONSERVATION OF ENERGY :

(a) Energy conservation measures taken :

- Installation of variable fluid coupling in primary air fan.
- Replacement of old and inefficient pump-motor set.
- Installation of VFDs in various equipments.
- Replacement of inefficient Instrument air compressors with energy efficient compressors in process plant.
- Installation of NRV in Cooling Water pump discharge line.
- Modification in ACW discharge line to cooling water pump.
- Replacement of conventional luminaries with energy efficient CFL & LED luminaries.
- Replacement of CRT Monitors with energy efficient LCD monitors.
- Replacement of metallic CT fan blade with energy efficient FRP Blades.
- Steam consumption eliminated in Chlorine vaporizer by installing water vaporizer.
- Gravity recycling of main cooling tower water to aux. cooling.
- Hydro jet cleaning of condensers and improvement in TG heat rate.

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

- Installation of VFDs.
- Installation of Energy Efficient Instrument Air Compressor.
- Addition of Cell in Cooling Tower.
- Replacement of old and inefficient pump-motor sets with energy efficient.
- Provision of direct pumping of Caustic to CEU.

(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 Aluminium Chloride, Chlorinated paraffins, Stable Bleaching Powder and Caustic soda flakes to more than ten countries.

(b) Total foreign exchange used and earned :

- Foreign exchange earned : ₹ 4907.05 Lacs
- Foreign exchange used : ₹ 1281.10 Lacs

ANNEXURE

FORM "A"

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**A. POWER AND FUEL CONSUMPTION****Current year**
2011-12**Previous year**
2010-11**1. Electricity****(a) Purchase**

Unit (KWH in thousand)

53860

40977

Total amount (₹ in lacs)

2191

1484.90

Rate/ unit (₹) (Average Cost)

4.07

3.62

(b) Own generation (Net)**(i) Through Diesel generator**

Unit (KWH in thousand)

17

8

Unit per Ltr. of diesel oil

0.74

2.96

*Cost/ unit (₹)

19.82

13.10

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

(ii) Through steam turbine/generator (Net)

Unit (KWH in thousand)

444597

219152

Total amount (₹ In lacs)

12355.20

4463.79

Rate/ unit (₹) (Average cost)

2.78

2.03

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

Quantity (Tonnes in thousand)

487.55

212.25

Total Cost (₹ in lacs)

10985.91

3000.40

Average rate per tonne (₹)

2253.30

1413.59

(Average cost)

3. Furnace Oil/ HSD

Quantity (K. Ltr.)

493.94

234.92

Total Amount (₹ in lacs)

195.68

91.30

Average rate/ Ltr. (₹)

39.62

38.86

(Average cost)

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****Standard****Current Year**
2011-12**Previous year**
2010-11

Electricity (KWH/MT)

2511

2583

2504

Furnace oil (Ltr./ MT)

-

-

-