



Good things come to those who *innovate.*
To those who weather the storm,
who challenge the norms,
who stay true to their vision, values and beliefs.

To those who follow their *passion,*
stick to their commitments and keep
their heads up high in times of difficulty.

As we continue on our path to growth & success
we will tackle setbacks and difficulties with the same focus,

persistence
strength
that we believe in.

ANNUAL REPORT | 2012 - 2013

ADITYA BIRLA CHEMICALS (INDIA) LIMITED



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

STATUTORY AUDITORS

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

COST AUDITORS

M/s. R. Nanabhoy & Co.
Cost Accountants,
Mumbai

REGISTERED OFFICE

“Ghanshyam Kunj”
Garhwa Road, P.O. Rehla-822 124
Dist. Palamau (Jharkhand)
Phone : (06584) 262 211, 262 221, 262 488
Fax No: (06584) 262 205

MANUFACTURING UNITS

- (1) Garhwa Road, P.O. Rehla - 822 124
District – Palamau (Jharkhand)
(2) Renukoot Chemical Division,
P.O. Renukoot – 231 217
District – Sonbhadra (Uttar Pradesh)

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DIRECTORS' REPORT TO SHAREHOLDERS

Dear Shareholders,

We are pleased to present the 37th Annual Report together with the Annual Accounts of your Company for the financial year ended 31st March 2013.

FINANCIAL PERFORMANCE

The performance of the Company for the Financial Year ended 31st March 2013 is summarised below :

	(₹ in crores)	
	<u>2012-2013</u>	<u>2011-2012</u>
Gross Turnover	840.85	665.18
Gross Profit/(Loss)	105.76	70.67
Depreciation	(60.02)	(54.02)
Profit before Tax	45.74	16.65
Provision for current tax	(9.84)	(3.33)
Provision for deferred tax	(26.06)	(11.61)
MAT Credit Entitlement	9.81	3.33
Current Tax adjustment for earlier years	—	(0.75)
Profit/(Loss)after Tax	19.65	4.29
Balance brought forward from previous year	279.04	276.11
Balance available for Appropriation	298.69	280.40
<u>APPROPRIATIONS :</u>		
Proposed Dividend	2.34	1.17
Tax on Proposed Dividend	0.39	0.19
Transfer to General Reserve	—	—
Balance carried to Balance Sheet	295.96	279.04

The journey of excellence of your Company has been furthered by commissioning of its expansion of Caustic Soda project at Renukoot (U.P.). It is commendable that 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 previous year are inclusive of the financial data of Renukoot Chemical Division from post acquisition period i.e. 24th May 2011; hence these are not fully comparable with the current year's financial data. The Net Sales of your Company grew significantly from Rs. 609.08 crores in the F.Y. 2011-12 to Rs. 755.21 crores in F.Y. 2012-13. Your Company also registered a impressive rise in its operating profit, from Rs. 151.37 crores in F.Y. 2011-12 to Rs. 196.10 crores in F.Y. 2012-13. The interest cost was up from Rs. 80.70 crores in F.Y. 2011-12 to Rs. 90.34 crores in F.Y. 2012-13. Depreciation expenses also increased from Rs. 54.02 crores in F.Y. 2011-12 to Rs. 60.02 crores in F.Y. 2012-13. These factors led to a higher profit before tax at Rs. 45.74 crores, against the preceding year's Rs. 16.65 crores. After tax adjustment, the net profit significantly soared to Rs. 19.65 crores, compared to Rs. 4.29 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

Your Directors recommend a dividend @ 10% i.e. Re. 1.00 per share on the paid up equity share of Rs. 10/- each of the Company.

ADITYA BIRLA CHEMICALS (INDIA) LIMITED

DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)

EXPANSION

Your Company has commissioned and commenced commercial production from its expansion of Cautic Soda project at Renukoot (U.P.) having a capacity to manufacture 145 MT per day of Caustic Soda. Your Company has incorporated latest state of art energy efficient and environment friendly membrane cell technology. The management is also exploring various measures to expand the business of the Company.

As reported earlier, your Company has started the new project of 30 MW Captive Co-generation Power Plant at Rehla, which will be commissioned by June 2014.

AWARDS AND ACCOLADES

Your directors are pleased to share with you that your Company has received the "Environment Excellence Gold Award-2012" in Chemical sector by Green Tech Foundation. Moreover, for the exemplary work in communities, your Company has bagged Company received the "ICC Award for Social Responsibility 2012" for outstanding contribution towards Agriculture & Watershed Development.

COMMUNITY SERVICES

Your Company has been working constantly to make a qualitative difference to the lives of the underprivileged people leaving near its area of operations. Your Company serves 76,000 people leaving below the poverty line in 47 villages. Your Company has successfully undertaken major initiatives in education, healthcare, livelihood, women empowerment and agriculture improvement programs with a focus on sustainable development through innovative and need based initiatives.

Your Company's CSR team works in collaboration with the Birsa agriculture university, NABARD, DRDA, PRIs, Kisan mitra, Gram Siksha Committees, Village Development Committees as well as several Government programs like MNREGA, NHRM etc. The Community Initiatives and CSR projects have achieved unprecedented success. The performance demonstrated in this field has always fostered the image of your Company as a social, caring and responsible corporate citizen.

SAFETY, HEALTH, ENVIRONMENT PROTECTION AND POLLUTION CONTROL

Your Company is committed to the safety of employees and has engaged all stakeholders', involved directly or indirectly, activities related to safety. Your Company has taken various steps to promote safety, health and pollution control.

Your Company is continuing the safety service of M/s DuPont India Pvt. Ltd since January 2012. We are committed to implement world class safety standards and embedding a safety culture throughout the organization. Our team is working to implement the safety standards that are being suggested by DuPont experts.

Your Company has installed the hardware to implement safety standards and is continuously upgrading the plant's process safety through better instrumentation and control. The 145 TPD Caustic Soda plant, using environment friendly and energy efficient state-of-the-art technology from UHDE, has been commissioned as per the schedule. High pressure alarm in chlorine storage tank has been connected to DCS to avoid over pressurization and Anti-collision devices have been installed in chlorine filling cranes. To strengthen the safety systems, additional chlorine sensors have been installed in the chlorine bottling and liquid chlorine storage tanks. Moreover, Motorized Sky lift for safe working at height, fork lift and Motorized Jumbo trolley for safe Materials Handling, Pull cord as safety trip devices in salt conveyor and Audio visual caution alarm in railway siding during arrival of rail rack are used on regular basis.

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

In accordance with the provisions of the Companies Act, 1956 and Company's Articles of Association, Shri Askaran Agarwala and Shri Jagdish Chandar Chopra, Directors, retire by rotation in the ensuing Annual General Meeting of the Company and

DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)

being eligible, offer themselves for re-appointment in the ensuing General Meeting.

The Board of the Company recommends the 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, unpaid/unclaimed dividend for financial year 2004-05 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 2013-14. 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, which was extended by the authority for financial year 2011-12 due to induction of XBRL mode, and the Cost Audit Report of the Company for the financial year 2011-12 was filed on 26.01.2013 within the extended 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 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.

ADITYA BIRLA CHEMICALS (INDIA) LIMITED

DIRECTORS' REPORT TO SHAREHOLDERS (Contd..)

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 2013 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 2013 and of the profit for the financial year ended 31st March 2013;
- 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.

Place : Mumbai
Dated : May 8, 2013

For and on behalf of the Board of Directors

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 2013

A. CONSERVATION OF ENERGY:

(a) Energy conservation measures taken:

- Replacement of inefficient Instrument air compressors with energy efficient compressors
- Replacement of old and inefficient pump-motor set
- Installation of VFDs in various equipments
- Replacement of conventional luminaries with energy efficient CFL & LED luminaries
- Hydro-jet cleaning of condensers to improve TG heat rate
- Stoppage of one CW Pump by interconnected operation of CW discharge header of both units
- Recycling of CT Basin blow down water for ACW cooling and dust suppression spray
- Energy efficient FRP blades installed in Cooling Tower in replacement of inefficient GRP blades

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

- Installation of VFDs
- Installation of high capacity pump to serve both for electrolyzers and CEU
- Revamping of cooling tower in Power Plant
- Installation of energy monitoring Software for close monitoring of power
- Integration of utility (compressed air, Nitrogen and DM water) and Brine plant for Old and New Membrane cell plants

(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 Aluminum Chloride Anhydrous, Chlorinated paraffin wax, Stable Bleaching Powder and Caustic soda flakes to more than ten countries.

(b) Total foreign exchange used and earned:

- Foreign exchange earned : ₹ 7308.58 Lacs
- Foreign exchange used : ₹ 4618.96 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
2012-13

Previous Year
2011-12

1. Electricity

(a) Purchase

Unit (KWH in thousand)

50839

53860

Total amount (Rs. In lacs)

2252

2191

Rate/ unit (Rs.) (Average Cost)

4.43

4.07

(b) Own generation (Net)

(i) Through Diesel generator

Unit (KWH in thousand)

25

17

Unit per Ltr. of diesel oil

2.54

0.74

*Cost/ unit (Rs.)

17.80

19.82

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

(ii) Through steam turbine/ generator (Net)

Unit (KWH in thousand)

457124

444597

Total amount (Rs. In lacs)

13113.47

12355.20

Rate / unit (Rs.) (Average cost)

2.87

2.78

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

Quantity (Tonnes in thousand)

517.93

487.55

Total Cost (Rs. in lacs)

12259.01

10985.91

Average rate per tonne (Rs.)

2366.91

2253.30

(Average cost)

3. Furnace Oil/ HSD

Quantity (K. Ltr.)

313.01

493.94

Total Amount (Rs. in lacs)

145.29

195.68

Average rate/ Ltr. (Rs.)

46.42

39.62

(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
2012-13

Previous Year
2011-12

Electricity (KWH/MT)

2500

2580

2583

Furnace oil (Ltr./ MT)

—

—

—

FORM "B"

DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

RESEARCH & DEVELOPMENT

- | | | |
|--|---|---|
| 1. Specific areas in which R & D is carried out by the Company | : | <ul style="list-style-type: none"> ● Successful trial of optimized coal sizing for Boilers resulting in un-burnt carbon control and improved efficiency ● Modification of Ash Fluidization stone in conveying system for smooth working ● Developed new grades of Chlorinated Paraffin Wax |
| 2. Benefits derived as a result of above R & D | : | <ul style="list-style-type: none"> ● Plant performance improved and significant savings achieved ● Better operational control and safety ● Reduced specific power consumption in Caustic Soda & Power Plant ● New Market Development for new Grades of Chlorinated Paraffin Wax ● Overall down time of equipments reduced |
| 3. Future plan of action | : | <ul style="list-style-type: none"> ● Up-gradation in Ambient Air quality monitoring system. ● Installation of VFDs and other energy saving schemes. ● Replacement of Turbine Guide Blade Carrier for reducing steam consumption. ● Installation of 2nd 132KV Bay. ● Reduction in Iron content in Aluminum Chloride and development of new Grades of Chlorinated Paraffin Wax |
| 4. Expenditure on R & D | : | <ul style="list-style-type: none"> ● ₹ 365.00 lacs – for energy saving schemes |

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

- Logic modification in Ion Exchange column to increase equipment reliability
- Installation of improved version of Sequential Event Recorder
- 11KV generator bus duct covered by FRP covering replacing metallic covering
- Replacement of 120 nos. Gen IV elements with Gen V elements
- Adoption of SVCC metal spray technology for Boiler tubes metal coating in erosion prone zone for improved operation
- Replacement of CU Flexible Jumper in 25 MW Generator adaptor box
- Up-gradation of LT ACB in CW MCC
- Installation of additional Oxygen Analyzer