

**BOARD OF DIRECTORS**

PREMAL N. KAPADIA	<i>Chairman</i>
S. C. JAIN	<i>Managing Director</i>
LUCA BUONERBA	
GIUSEPPE CAMBARERI	
ANGELO FERRARI	
M. A. SUNDARAM	
KRISHAN KHANNA	<i>Alternate to Luca Buonerba</i>
R. V. N. P. R. SARDESSAI	<i>Alternate to G. Cambareri</i>

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REGISTRAR & TRANSFER AGENT

Sharepro Services (India) Private Limited
13AB, Samhita Warehousing Complex,
2nd Floor, Near Sakinaka Telephone Exchange,
Andheri-Kurla Road,
Sakinaka, Andheri (E), Mumbai – 400 072

BANKERS

BANK OF BARODA
AXIS BANK LTD.

REGISTERED OFFICE & WORKS

PLOT NOS. 184,185 & 189
KUNDAIM INDUSTRIAL ESTATE
KUNDAIM, GOA - 403 115
Tel.: 91-832-3981100 Fax.: 91-832-3981101
Email: denoraindia@denora.com
Website: www.denoraindia.com

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NOTICE

Notice is hereby given that the twenty second Annual General Meeting of DE NORA INDIA LIMITED will be held on May 20, 2011 at 11.00 a.m. at the Registered Office of the Company at Plot Nos.184, 185 & 189, Kundaim Industrial Estate, Kundaim, Goa 403 115, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st December, 2010 and the Profit and Loss Account of the Company for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Angelo Ferrari who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Giuseppe Cambareri who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT subsequent to the expression of opinion by the Central Government under Section 309(1) of the Companies Act, 1956 that Mr. R.V.N.P.R. Sardessai possesses the requisite qualification for the practice of his profession, approval of the Shareholders be and is hereby accorded for payment of Consultancy Fee to Mr. R.V.N.P.R. Sardessai, Non-Executive Director for the following services rendered by him as a Sales Tax Consultant:

1. Consultancy and Advising on Goa Sales Tax Act, Central Sales Tax Act, Entry Tax, Works Contract Tax and Service Tax. Interpretation and intimating any changes and amendments to abovementioned Acts.
2. Representing Company during assessments by the Department.
3. Preparation and filing of periodic returns for abovementioned indirect taxes.
4. Preparing written submissions for assessments.
5. Preparing appeal papers and representation of the facts appropriately in the hearings.

RESOLVED FURTHER THAT Mr. Sardessai will render the above services as and when required by the Company and he shall be paid on a case to case basis. The total payments for the same shall not exceed Rs.50,000/- per annum.”

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to sections 198, 269 and 309 read with schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactment thereof and all other statutory provisions, if any, the consent of the shareholders be and is hereby accorded to the extension of tenure of Mr. S.C. Jain, as Managing Director for a period of 2 (two) years with effect from July 16, 2011 on the terms and conditions and remuneration as set out in the Explanatory statement attached to the notice convening this Annual General Meeting, with a liberty to the Board of Directors (deemed to include the Remuneration Committee of the Board) to revise, amend, alter or otherwise vary the terms and conditions of this appointment including remuneration so as to comply with the provisions specified in Section II 1 (B) of Part II, of Schedule XIII to the Companies Act, 1956, in case of no profit or inadequate profits as computed under Companies Act, 1956 or any amendments thereto as may be required from time to time, and as agreed by the Board of Directors and Mr. S.C. Jain.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

By Order of the Board

Place : Kundaim - Goa
Dated : February 17, 2011

MILITA RODRIGUES
COMPANY SECRETARY

NOTES:

- a) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER.**
- b) The proxy form duly completed and signed should be deposited at the Registered Office of the Company at least 48 hours before the commencement of the meeting.
- c) The relative Explanatory Statement as required by Section 173(2) of the Companies Act, 1956 is annexed hereto in respect of item No. 6 and 7.



DE NORA INDIA LIMITED

d) The Register of Members and the Share Transfer Books of the Company will remain closed from May 16, 2011 to May 20, 2011 (both days inclusive) for determining the names of Members eligible for dividend, if approved, in the Annual General Meeting. In case of shares held in electronic form, dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.

e) Shareholders desiring any information as regards the accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.

f) Members/Proxies should bring the attendance slips duly filled-in for attending the meeting.

g) The amount of unclaimed dividend for and upto the year ended March 31, 1994 which remained unpaid or unclaimed have been transferred to the General Revenue Account of the Central Government. Any claim for payment of such unclaimed/unpaid Dividend should be made by an application in the prescribed form to the Registrar of Companies, Goa at the address given below:

The Registrar of Companies
Company Law Bhavan
EDC, Plot No. 21, Patto
Panaji 403 001, Goa

h) Pursuant to the provisions of Sec. 205A (5) of the Companies Act, 1956, dividend for the financial year ended December 31, 2003 which remain unclaimed till June 4, 2011 will be transferred by the Company to the "Investors Education & Protection Fund" (IEPF) established by the Central Government. The due date for transfer to IEPF is July 4, 2011.

Unclaimed and unpaid Dividend for the Financial Year 1996, 1997 and 1998 has already been transferred to "Investors Education And Protection Fund" on October 24, 2003, October 13, 2004 and October 10, 2005 respectively and no claims shall lie against the Company or the said Fund in respect of such Dividend which remain unclaimed or unpaid for a period of 7 years from the date when they first became due.

i) Consequent upon the introduction of Section 109A of the Companies Act, 1956, Shareholders are entitled to make nomination in respect of shares held by them in physical form. **Shareholders desirous of making nominations are requested to send their requests in Form 2B (enclosed) to our Registrar & Transfer Agent:**

Sharepro Services (India) Private Limited
13 AB, Samhita Warehousing Complex
2nd Floor, Near Sakinaka Telephone Exchange
Andheri - Kurla Road
Sakinaka, Andheri (East)
Mumbai – 400 072

j) Members are requested to notify immediately any change in their addresses to the Registrar & Transfer Agents at the above address.

k) As per SEBI's directive, w.e.f. June 26, 2000 all investors can offer delivery of Company's shares in dematerialized form only. 5394265 number of Company's shares (97.10%) have been dematerialized as on 31.12.2010.

Members are requested to take steps to dematerialize their shares held in physical form to have easy liquidity.
The Company's ISIN No. is INE244A01016.

INFORMATION TO BE FURNISHED UNDER THE LISTING AGREEMENT

I. Name : Mr. Giuseppe Cambareri
Age : 46 years

Qualification : He graduated magna cum laude from University of Rome in 1988 and received legal education at the British Institute of International and Comparative Law in London and the International centre of Study of the European Community in Milan. Mr. Cambareri was admitted to the Milan Barristers Association in 1991 and as a Supreme Courts Attorney in 2004. He is a member of the International Bar Association and the London Court of International Arbitration.

Expertise: He is a partner of Cambareri – Studio di Avvocati, an independent law firm with offices in Rome and Milan. He presently sits in the Board of Directors of Italian, US and Asian companies in various fields of Industry. Mr. Cambareri has more than twenty years' experience in advising companies and individuals on corporate law and contracts. He represents large and medium sized corporations in Europe, North America and Asia in connection with M&A transactions, investment, shareholders agreements, joint ventures, corporate alliances and recognitions, securities and stock exchange regulations, competition law and merger control regulations. He advises clients on wide array of contracts and commercial matters including international sales, IP licenses, agency, distribution and product law.

Other Directorship/Committee Membership.

1. Nuvera Fuel Cells Europe S.r.l.

He is a member of Audit, Remuneration and Shareholders Grievance Committee of the Board.

Details of shareholding: NIL

II. Name : Mr. Angelo Ferrari
Age : 50 years

Qualification : Degree in Business Administration C/O "Luigi Bocconi" University in Milan.

Expertise : He has more than 24 years of extensive experience in the area of Finance function. He has been associated with the Parent company since last 22 years. He is presently the head of group internal auditing and special projects activity in Industrie



De Nora S.p.A. He is an internal auditor for Permelec Electrode Limited and Chlorine Engineers Limited.

Other Directorship/Committee Membership

1. Oronzio De Nora International B.V.
2. De Nora Deutschland GmbH
3. De Nora Elettrodi (Suzhou) Co. Ltd.
4. Jetnor B.V.
5. Verdenora S.r.l.
6. MedNora S.r.l.

He is a member of Audit Committee of Board.

Details of shareholding: NIL

ANNEXURE TO NOTICE:

Explanatory statement pursuant to Sec. 173(2) of the Companies Act, 1956.

Item 6

Mr. R.V.N.P.R. Sardesai is a qualified Sales Tax Advocate & Consultant. Anticipating that the Company may require professional advice and services from Mr. R.V.N.P.R. Sardesai, from time to time, in the field of Sales Tax, the Company had acquired the expression of opinion by the Central Government to permit payment of professional fees in accordance with Section 309(1) of the Companies Act, 1956. As per the provisions of the Clause 49(B) of the Listing Agreement entered into by the Company with National Stock Exchange all fees/compensation, if any, paid to non-executive directors, including independent directors, shall be fixed by the Board of Directors and shall require previous approval of the shareholders in General Meeting. Hence, the Ordinary Resolution seeking shareholder's approval is proposed.

None of the Directors other than Mr. R.V.N.P.R. Sardesai are interested in the resolution.

Item 7

The present term of office of Mr. S.C. Jain as Managing Director will be expiring on July 15th, 2011. The Board of Directors at their Meeting held on February 17, 2011, subject to the approval of the Shareholders, have extended the tenure of Mr. S.C. Jain as Managing Director for a further period of two years w.e.f. July 16th, 2011 as per the terms and conditions set out hereunder, determined by the Remuneration Committee of the Board of Directors.

The information to be disclosed as per Schedule XIII to the Companies Act, 1956 is as under:

I. GENERAL INFORMATION

1. The company is in the business of manufacture of products for Electrolytic processes.
2. Date of commencement of commercial production: 25.08.1993.
3. Financial performance based on given indicators:

The comparative profit after tax of the company is as under:

	December 31, 2008 (Rs.)	December 31, 2009 (Rs.)	December 31, 2010 (Rs.)
Profit/(Loss) After Tax	17,340,000	1,382,097	30,602,030

4. Export performance : Rs. 25,775,129
5. Foreign investments or Collaborators: The company has Financial and Technical Collaboration with Oronzio De Nora International B.V. The Netherlands which holds 51.29% equity in the Company. In addition it has technical collaboration with Oronzio De Nora S.A., Switzerland and M/s. Electrometals Technologies Limited, Australia.
6. The company has not defaulted in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of 30 days in the preceding financial year before the date of appointment of such managerial person.

II. INFORMATION ABOUT THE APPOINTEE

Mr. S.C. Jain is M.Tech. in Chemical Engineering from IIT Delhi. He has over 35 years of experience in industry and he has been with the Company since its inception. He was inducted in the Board as a Whole-time Director in July 1997 and since April 1999, with the end of tenure of Mr. Gaudenzio Ferri as Managing Director; Mr. Jain became independently responsible for the day to day management of the Company. He was appointed as the Managing Director of the Company w.e.f. July 16th, 2007 for a term of three years, which expired on July 15th, 2010. His term was further extended for a period of 1 year, expiring on July 15, 2011.

As a Managing Director, Mr. S.C. Jain was and will be responsible for the overall management of the company. He shall also be the Occupier of the Factory. With his long standing experience he is ideally suitable for managing the day to day operations of the Company and to take the Company's business to higher level.

The present remuneration package of Mr. S. C. Jain is as under:

- A) Salary:
Rs.1,00,000/- p.m.
- B) Perquisites:
In addition to the salary Mr. S.C. Jain shall be entitled to the following perquisites, namely rent-free furnished accommodation, medical reimbursement and such other payments in the nature of perquisites and allowances in accordance with the Rules of the company and any other performance related incentives as may be agreed / determined by the Board of Directors. The total value of perquisites together with salary shall be restricted upto 5% of the Net Profits computed in the manner laid down in Section 198(1) of the Companies



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Act, 1956 in case of profits and Rs.3,000,000/-per annum in case of no profits or inadequacy of profits as per Part II Section II 1(B) of Schedule XIII of the Companies Act, 1956.

C) Other Payments and Provisions:

i) Contribution to Provident Fund and Superannuation Fund:

Contribution towards Provident Fund will be subject to a ceiling of 12% of Basic Salary. Contribution to Superannuation Fund together with Provident Fund shall not exceed 27% of the Salary as laid down in the Income Tax Rules, 1962. Provident Fund and Superannuation fund will not be included in the computation of the ceiling on the remuneration to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

ii) Gratuity: Gratuity shall be at the rate not exceeding half a month's salary for each completed year of service. Gratuity will not be included in the computation of the ceiling on the remuneration.

iii) Leave and Leave Encashment :

a) Leave and Leave Encashment is allowed during the tenure of appointment in the company and leave encashment during the tenure shall be included in the computation of perquisites.

b) Leave Encashment at the end of the tenure will not be included in the computation of perquisites.

iv) Car & Telephone : The Company shall provide a car with driver for business use and telephone facility at his residence. The provision of car for the use on Company's business and telephone facility at the residence will not be considered as perquisites. Personal long distance calls on telephone shall be billed by the company to Mr. S. C. Jain.

Proposed Remuneration Package to Mr. S.C. Jain is as under:

The Remuneration Committee of the Board has approved an increase in Basic Salary to Rs. 1,08,000/- p.m. all other terms and conditions of the existing remuneration package to Mr. S. C. Jain remaining unchanged.

Comparative remuneration profile with respect to industry, size of the company, profile of the position and person:

The company in relation to its size and the industry is not comparable. The remuneration of the Managing Director cannot be compared with any other corporate in the industry. However, taking into consideration the size of the company, the profile of the appointee, and the responsibilities shouldered by him, the remuneration proposed to be paid is commensurate with the remuneration packages given to similar senior level appointees.

Mr. S. C. Jain is not related directly or indirectly with the company or with managerial personnel except in the manner described above.

III. OTHER INFORMATION

1. Reasons of loss or inadequate profits:

The Mercury Cell Plants are gradually being converted into Membrane Cell Plants and at this stage the company doesn't get the business of Anode/Cathodes coating since these are inbuilt in the new Cells and the complete set of Cell Elements are imported by the customers. The company is not in the business of manufacturing Cell Elements and the recoating business in respect of these Anode/Cathodes will come after 8 years. The Electrochlorination business is witnessing severe price competition due to entry of various small competitors having significant influence in their limited area of operation.

2. Steps taken or proposed to be taken for improvement: Company will look into new opportunities like Chlorate Cells & fabrication of Titanium equipments, Electrochlorinators with improved models & introduction of Solar Mac®7 and Platinised Titanium anodes which have been introduced in 2008.

3. Expected increase in productivity and profits in measurable terms:

Particulars	2011	2012	2013
Sales (Rs.)	390,985,000	372,063,300	308,424,050
Profit after tax (Rs.)	38,298,546	33,004,300	40,212,050

IV. DISCLOSURES

1. The remuneration package of the Managing Director shall be as indicated above under the heading information about the appointee.

2. The relevant disclosures have been made in the Corporate Governance Report attached to the Annual Report.

None of the Directors other than Mr. S.C. Jain are interested in the resolution.

By Order of the Board of Directors

Place : Kundaim - Goa
Dated : February 17, 2011

MILITA RODRIGUES
COMPANY SECRETARY



DIRECTORS' REPORT

TO
THE MEMBERS

Your Directors have pleasure in presenting the 22nd Annual Report together with the Audited Accounts of your Company for the year ended 31st December, 2010.

FINANCIAL RESULTS

(RS. IN MILLION)

	2010	2009
Sales & Other Income (Net of duties)	186.85	155.33
Profit/(Loss) before Depreciation & Taxation	40.22	19.06
Provision for Depreciation	(7.09)	(6.49)
Provision for Taxation for current/prior years	(8.90)	(1.36)
Deferred Taxation (Liability)/ Asset for current/prior years	6.37	(9.83)
Net Profit after Tax	30.60	1.38
Balance of Profit brought forward	81.28	79.90
Transfer To General Reserves	3.06	—
Proposed Dividend	27.78	—
Tax on Dividend	4.72	—
Balance of Profit carried forward to next year	76.33	81.28

DIVIDEND

The Directors of the company recommend a Dividend of 50% of paid-up capital for the year ended 31st December, 2010 absorbing an amount of Rs.32.50 Million of distributable profits, inclusive of tax on dividend as against NIL dividend for the previous year 2009.

OPERATIONS

The Company continues to remain the market leader in the Chlor Alkali and Cathodic Protection Systems business. The Company has improved its performance in all its segments. The Company has improved its market share in the Electro Chlorination business.

OUTLOOK

The Company has signed approximately Rs.200 Million lumpsum turnkey project for the manufacture of 5 tonnes per day Sodium Chlorate Plant. The project has to be executed over a period of 17 months.

The Company is looking forward to maintain its position of market leader in Membrane recoating activity and Cathodic Protection Systems. Company will continue to focus on increase of export of Lida® Anodes for cathodic protection system & improved sales of specialty Anodes. The company expects improvement in recoating cycle business of Chlor Alkali business in future.

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. Angelo Ferrari & Mr. Giuseppe Cambareri will retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

Brief resumes of Directors seeking re-appointment, the nature of their expertise in specific functional areas, names of companies in which they hold directorships and the memberships of committees of the board, their shareholdings, etc. are attached with the Notice of the Annual General Meeting of the Company.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the National Stock Exchange of India Ltd., Management Discussion and Analysis Report, Corporate Governance Report and Practicing Company Secretary's Certificate regarding Compliance with the Code of Corporate Governance are made part of the Annual Report.

CEO/CFO CERTIFICATION

A certificate from Managing Director and Finance Head on the financial statements of the Company, as required under Clause 49 of the Listing Agreement with the National Stock Exchange was placed before the Board.

INFORMATION AS REQUIRED UNDER THE LISTING AGREEMENT

The shares of the company are presently listed at The National Stock Exchange of India Limited, Mumbai under the Stock Code **DENORA EQ** and the company has paid listing fee upto March 31, 2011 in respect of above stock exchange.

ISO CERTIFICATION

The Company has maintained its continued endeavor in terms of quality and maintenance of International Standards. The Company has got the prestigious certification for ISO 9001:2008 for Quality Management System from JAS-ANZ on 17.08.2010 valid till 16.08.2013 for the production and trading of Titanium Anodes/ Nickel Cathodes for Chlor-Alkali Industry used for NaOH/KOH/Cl₂, Electro Chlorinators for On-site Hypo, Cathodic Protection Systems, Surface Finishing Products and Electro winning Products.



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DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the accounts for the financial year ended December 31, 2010 the applicable accounting standards have been followed along with proper explanations relating to material departures;
2. That such accounting policies have been selected and consistently applied and judgements and estimates made, that are reasonable and prudent so as to give a fair and true view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
3. That proper and sufficient care has been taken for the maintenance of adequate 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;
4. That the accounts for the financial year have been prepared on a 'going concern' basis.

AUDITORS

The Auditors M/s. B S R and Associates, Chartered Accountants will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

PERSONNEL

The information required under Section 217(2A) of the Companies Act, 1956, and the Rules framed there under is annexed hereto as Annexure 'A' and forms part of the Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in Annexure 'B' forming part of this report.

ACKNOWLEDGEMENT

Your Directors would like to express their sincere appreciation for the continued support and co-operation received from Bankers, Foreign Collaborators, Government Authorities and Shareholders. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers during the year under review.

For and On behalf of the Board of Directors

Place : Kundaim, Goa

Dated : February 17, 2011

S. C. JAIN

MANAGING DIRECTOR



ANNEXURE 'A' TO DIRECTORS' REPORT

Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, forming part of the Directors' Report for the year ended 31st December, 2010.

Sr. No.	Name	Designation	Qualification	Experience (Years)	Date of Commencement of Employment	Remuneration (Rs.)	Age (Years)	Last Employment
1.	Mr. S.C. Jain	Managing Director	M. Tech.	35	01.12.1989	3,321,811	59	Dy. GM Services & Business Development Wimco Ltd.

NOTES:

1. Remuneration here has the meaning assigned to it in the *Explanation* to Section 198 of the Companies Act, 1956. This amount includes Salary, Perquisites, Performance related bonus, Provident Fund and Superannuation Fund.
2. The above mentioned employee is not a relative of any Director of the Company.
3. The nature of employment is contractual.
4. The employee does not hold by himself or along with his dependants, two percent or more of the equity shares of the Company.

ANNEXURE 'B' TO DIRECTORS' REPORT

INFORMATION IN ACCORDANCE WITH SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

Though the manufacturing operations involve consumption of energy, it is not of major significance. The Company is not covered under the list of industries required to furnish information in Form 'A'.

B. TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT

Your Company has ongoing technical collaboration for Ion Exchange Membrane Electrolysers for Chlor-Alkali Industry, Electrochlorinators for Water Treatment and Cathodic Protection (Anti corrosion) Systems. These agreements are performed through Industrie De Nora S.p.A. Your Company did not incur any expenditure on R&D during the year under review.

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

The company is in the process of acquiring the technology for coating of the Membrane Cathode named as "Zerogap" from Industrie Denora S.p.A. Milan, Italy.

C. FOREIGN EXCHANGE EARNINGS & OUTGO

The information on foreign exchange earnings are detailed in Note No. 20.10(a) and foreign exchange outgo is detailed in Note No. 20.10(b) to the Accounts.

For and On behalf of the Board of Directors

Place : Kundaim, Goa

Dated : February 17, 2011

S. C. JAIN

MANAGING DIRECTOR



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

De Nora India Limited (DNIL) is engaged in the manufacture and coating of anode and cathode for electrolytic process for application in the chlor-alkali & chlorate plants, Lida® Anodes for cathodic protection systems, Electrochlorinators and Platinized Titanium Anodes for surface finish application. All these applications come under the field of Electrolytic Processes.

DNIL was set up with technical and financial collaboration of "Gruppo De Nora" of Italy, a world market leader in this segment. The company's core business lies in Chlor-alkali sector, which is highly cyclic in nature. So, the company expanded its market into high tech products such as Cathodic Protection Systems, Electrochlorination systems, and Platinized Titanium Anodes for surface finish application. In India, DNIL is a recognized player with high standard of quality in all these products.

Recoating of anode and cathode is a specialised process, formulation of which involves use of noble metals. These formulations and processes are Proprietary and because of its affiliation to "Gruppo De Nora", the company has the authority to use these formulations and processes, giving it the prominent market share in India. DNIL not only provides support to all Gruppo De Nora & Krupp Uhde customers in India but is also equipped to give technical support to other technology suppliers in the Chlor-alkali sector.

OPPORTUNITIES AND THREATS

The Goa factory is equipped with all the necessary equipment and facilities to meet the demands of the Chlor-alkali industry. The company continues to remain the market leader in the Chlor-alkali and Cathodic Protection Systems business. The main activity of the company is dependent on recoating of electrode for membrane cell electrolyzers in Chlor-alkali plant, which is cyclic in nature because the life of the coating lasts for 6 to 8 years. The income from recoating business contributes a major share in company's total income and lesser demand for recoating business due to the cyclic nature was the main cause for reduced turnover during this year. The Mercury Cell Plants are gradually being converted into Membrane Cell Plants. Your Company does not get the business of Anode/Cathodes coating at this conversion stage since these are inbuilt in the new Cells and the complete set of Cell Elements are

imported by the customers. Your Company is not in the business of manufacturing membrane Cell Elements and the recoating business in respect of these Anode/Cathodes will happen only after 8 years.

DNIL has signed a lumpsum turnkey project for execution of 5 tonnes per day Sodium Chlorate Plant. Here DNIL will be geared up to make use of such opportunities in future.

ELECTROCHEMICAL PRODUCTS PERFORMANCE

The company registered turnover of Rs.186.85 million during the year from the sale of its products.

OUTLOOK

The company is looking forward to maintain its position of market leader in Membrane recoating activity and Cathodic Protection Systems. Your directors are hopeful that ongoing efforts made in the field of Chlorate Cells fabrication would pave way for the future growth of the company.

RISKS & CONCERNS

Excessive dependency on Chlor-alkali business increases risks and the company is taking steps to minimize this risk by developing the market of its other products as well as introducing new products/technologies in the market. The Electrochlorination business is hampered by severe price competition due to entry of various small competitors having significant influence in their limited area of operation. The Electrochlorination business requires aggressive pricing and several distributors in the territory.

The major area of concern for the company is reduction in contribution due to increase in the raw material prices. The company tries to minimise the risk by incorporating Price Variance Clause in the Orders. In the event the company is not able to enforce the Price Variance Clause in the Orders, the secondary option is placing the order for full quantity of noble metals soon after signing of each big order, even if the project execution is of longer duration.

The Government of India had initiated administrative proceedings alleging non-disclosure of information and had passed an Order on 22.02.2010.

Thereafter the Appellate authority vide their Order dated 12.08.2010 had reduced the period to one year which expired on 21.2.2011 and restricted the ban related only to the tenders of DGS&D. This is having minimal effect on the business of the Company. The Company has preferred an appeal in the Court by filing a petition and it was admitted by the Delhi High Court.