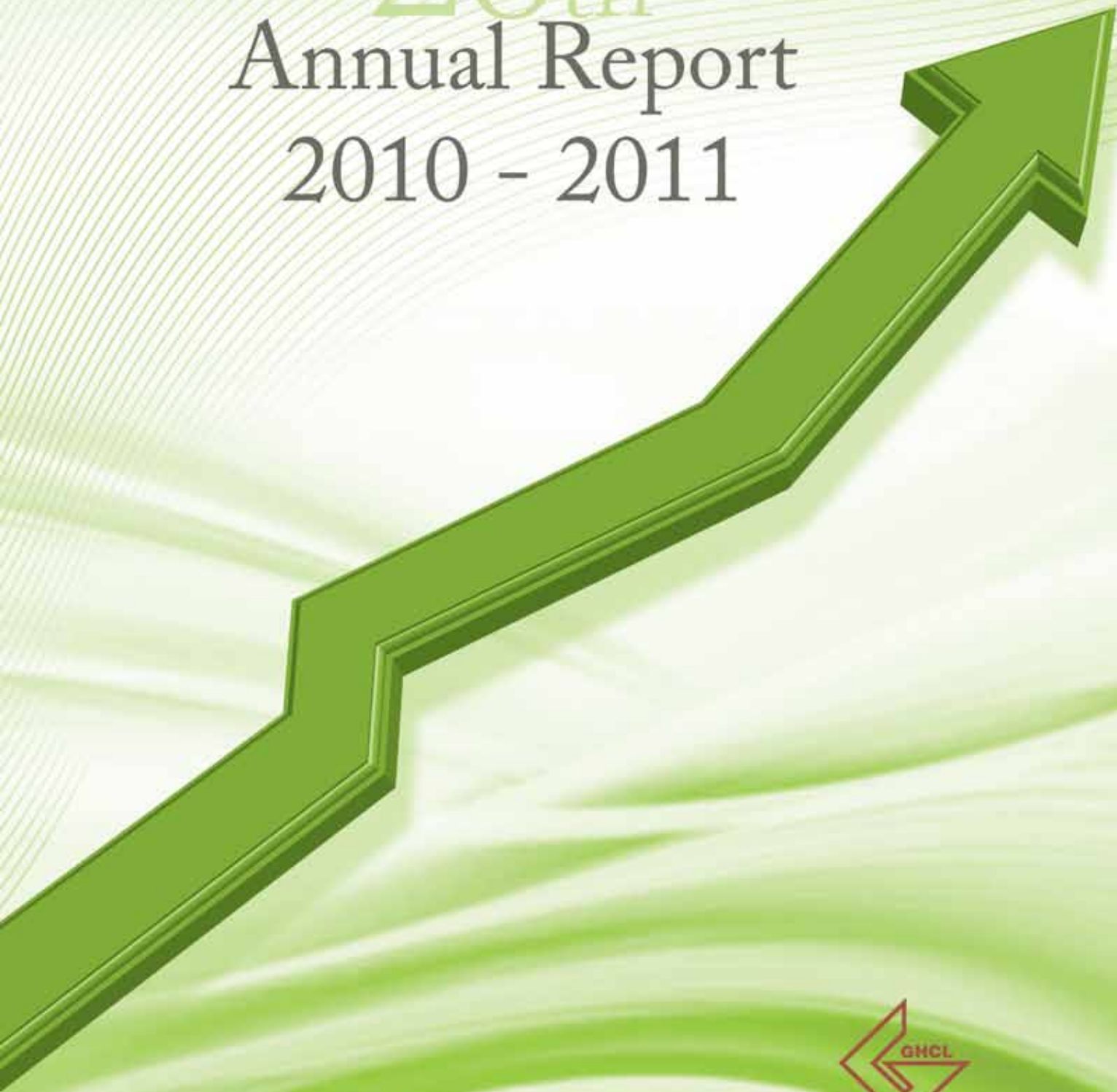


28<sup>th</sup>  
Annual Report  
2010 - 2011



GHCL Limited

## Contents

Company Information	1
Chairman Statement	2
Notice	3
Directors' Report	5
Management Discussion & Analysis	10
Corporate Governance Report	14
Auditors' Report	25
Balance Sheet	28
Profit & Loss Account	29
Cash Flow Statement	30
Schedules Forming Part of the	
Balance Sheet and Profit & Loss Account	31
Notes on Accounts	39
Statement u/s 212 of The Companies Act, 1956	54
Consolidated Financial Statement :	
Auditors' Report	57
Consolidated Balance Sheet	58
Consolidated Profit & Loss Account	59
Consolidated Cash Flow Statement	60
Schedules Forming Part of the	
Consolidated Balance Sheet and Profit & Loss Account	61
Notes to the Consolidated Financial Statement	68
Attendance Slip and Proxy Form	

**Annual General Meeting** – Friday, September 2, 2011

**Time** – 9:30 A.M.

**Venue** – The Institution of Engineers (India), Gujarat State Centre,  
Bhaikaka Bhavan, Law College Road,  
Ahmedabad - 380 006 (Opp. Gajjar Hall)

**Book Closure Date** - From August 26, 2011 to September 2, 2011

### Important Communication to Members

Ministry of Corporate Affairs has announced "green initiatives in the Corporate Governance" and permitted companies to service notices / documents including Annual Report to the members of the company on their registered email addresses. All those Shareholders who have not yet registered their email ids or holding shares in physical form are requested to register their email ids with NSDL/CDSL and/or our RTA at [ghclgogreen@linkintime.co.in](mailto:ghclgogreen@linkintime.co.in) along with your No. of shares and Folio No. / Client Id and DP Id.



## COMPANY INFORMATION

### BOARD OF DIRECTORS

<b>Sanjay Dalmia</b>	Chairman
<b>Anurag Dalmia</b>	
<b>Neelabh Dalmia</b>	
<b>Dr. B C Jain</b>	
<b>K C Jani</b>	Nominee (IDBI)
<b>R M V Raman</b>	Nominee (Exim Bank)
<b>Surendra Singh</b>	
<b>G C Srivastava</b>	
<b>Mahesh Kheria</b>	
<b>Sanjiv Tyagi</b>	
<b>S H Ruparell</b>	
<b>R S Jalan</b>	Managing Director
<b>Tej Malhotra</b>	Sr. Executive Director (Operations)
<b>Raman Chopra</b>	Executive Director (Finance)

### SECRETARIES

**Bhuwneshwar Mishra**  
General Manager & Company Secretary

**Manoj Kumar Ishwar**  
Manager (Secretarial)

### REGISTERED OFFICE

"GHCL HOUSE"  
Opp. Punjabi Hall,  
Navrangpura,  
Ahmedabad -380 009 (Gujarat)

### CORPORATE OFFICE

"GHCL House"  
B-38, Institutional Area,  
Sector - 1  
Noida - 201 301 (UP)  
Website: www.ghclindia.com

### MAJOR SUBSIDIARIES

1. Rosebys Interiors India Limited
2. Grace Home Fashions LLC
3. Indian Britain B V, the Netherlands
4. Indian England N V, the Netherlands
5. Indian Wales NV, the Netherlands
6. S C GHCL Upsom SA, Romania
7. Others - As per Statement given U/S 212

### COMPANY IDENTIFICATION NO.

CIN – L24100GJ1983PLC006513

### STATUTORY AUDITORS

Jayantilal Thakkar & Co.  
Rahul Gautam Divan & Associates

### WORKS

#### SODA ASH

Village - Sutrapada,  
Near Veraval,  
Distt. Junagadh - 362 275  
Gujarat

#### SALT REFINERIES

- a) Ayyakaramulam  
Kadinalvayal - 614 707  
Distt. Nagapattinam  
Tamilnadu
- b) Nemeli Road,  
Thiruporur - 603 110  
Tamilnadu

#### TEXTILES

- a) Samayanallur P O  
Madurai -625 402
- b) Thaikesar Alai P O  
Manapara - 621 312
- c) S. No.191, 192, Mahala Falia,  
Village Bhilad, Distt. Valsad,  
Gujarat-396105, India

#### ENERGY DIVISION

- (a) Muppandal, Irukkandurai Village  
Sankaneri Post Radhapuram  
Taluk, Tirunelveli District  
Tamilnadu
- (b) Chinnaputhur village,  
Dharapuram Taluk,  
Erode District, Tamil Nadu

#### BANKERS / FINANCIAL INSTITUTIONS

IDBI Bank Ltd.  
Export Import Bank of India  
State Bank of India  
State Bank of Travancore  
State Bank of Hyderabad  
Canara Bank  
State Bank of Patiala  
State Bank of Mysore  
State Bank of Bikaner and Jaipur  
Bank of Maharashtra  
Tamilnad Merchantile Bank  
Andhra Bank  
Union Bank of India  
Bank of India

#### SHARE TRANSFER AGENTS

Link Intime India Private Limited  
(Formerly Intime Spectrum Registry Limited)  
C-13, Pannalal Silk Mills Compound  
LBS Marg, Bhandup - West  
Mumbai - 400 078

## CHAIRMAN'S STATEMENT

The character of any organization is not only refined but also defined with the way it handles itself in challenging more so than in opportune times. The past decade has witnessed sustained growth for our company in wake of proactive initiatives taken, despite challenges faced. I am happy to communicate that going by the numbers posted, we have not only demonstrated strong resilience but also have built a robust platform upon which we shall further scale up our existing businesses and shape the future of the company.

Shaping the future calls for identifying opportunities and mitigating potential risks in order to create a sustainable value creating organization, having requisite immunity from the industry as well as macro-economical risks. This called for a three-pronged approach – adding capacities, improving realizations and strengthening cost structures.

**Capacity addition:** We embarked on a capacity addition initiative and in the process, identified and debottlenecked capacities, resulting in efficient and economical production in soda ash business. We continued with capacity expansion in textiles business resulting in higher volumes leading to higher growth and profitability.

**Expanding reach:** Our focus on textiles business to expand portfolio of value-added products and clientele, has won us large replenishment programs from the likes of K-Mart, Bed Bath & Beyond & Macy's driving both volumes and better realization.

**Cost control measures:** To ensure a better quality of performance, it was essential to critically examine our cost structures and eliminate the excesses without impairing the quality of products. The cost control measures resulted in us resorting to better inventory management, stricter cost control measures and lower wastages in both the businesses.

Our initiatives translated into a stout performance during the year under review. We posted a robust topline of Rs. 1511 crore, 23% up against Rs. 1225 crore in 2009-10. Our EBITDA improved by 15% to Rs. 350 crore in 2010-11 against Rs. 303 crore in 2009-10.

The Soda Ash Industry is witnessing intensive dumping of material from EU countries as well as Ukraine, Kenya, and Turkey apart from China and Pakistan which is seriously impacting the domestic players who are already facing pressures on their margins due to rising costs and availability of raw materials. The soda ash industry is a source of employment to lakhs of people in the downstream industries like salt, which employ a large number of rural and tribal work force and any adverse impact on the soda ash industry will also have impact among these rural and tribal population. A proactive approach is therefore required from the Government

The Textile Industry, especially spinning has seen unprecedented volatility in cotton and yarn prices not seen in last two decades. This has adversely affected the entire spectrum of people associated with the industry like ginners,



traders and manufacturers. Many units have been closed in the past couple of months. Being the second largest provider of employment, the Government needs to urgently initiate steps to revive the industry. Some of the steps could be power subsidy by State Government for atleast six to nine months and interest subsidy by Centre for atleast six to nine months to quickly mitigate the aforesaid challenges faced by the textile industry.

Home Textile industry from India and Pakistan is a source of supply to the retail chains in America and Europe like Wal-Mart, K-Mart, Bed Bath & Beyond, J C Penny, etc. This industry employs millions of workers in both organized and unorganized sector in both these countries. India and Pakistan have been in dialogue for improving trade relations between the two countries and therefore, it is in the interest of both these countries to see that the Home Textile industry does not suffer because of unfair competition between India and Pakistan to grab volume in the American and European retail industry. A suitable mechanism to be put in place is desirable.

Going forward, we would aim to further build upon our strengths and continue to focus on offering unparalleled quality products to our clients. Our deeply-entrenched relationships with all our customers in all spectrum of businesses in the county and abroad will further enable us to utilize our added capacities and ensure a better product mix going forward.

I would like to thank each and every stakeholder of the company for supporting us all along and believing in our credentials.

To wrap up, our focus is unwavering. Our commitment is unflinching. Our future is exciting. And we are future-ready.

**Sanjay Dalmia**  
Chairman



**NOTICE**

NOTICE is hereby given that the 28<sup>th</sup> Annual General Meeting of the members of GHCL Limited will be held at The Institution of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad - 380 006 (Opp. Gajjar Hall) on Friday, September 2, 2011 at 9.30 AM to transact the following businesses:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011, Profit and Loss Account for the year ended on that date together with the Reports of the Directors' and Auditors' thereon.
2. To declare a dividend for the financial year ended March 31, 2011.
3. To appoint a director in place of Mr. Neelabh Dalmia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. Sanjay Dalmia, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a director in place of Mr. Sanjiv Tyagi, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a director in place of Mr. Mahesh Kheria, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint M/s Jayantilal Thakkar & Co., Chartered Accountants (Firm Reg. No. 104133W) and M/s Rahul Gautam Divan & Associates, Chartered Accountants (Firm Reg. No. 120294W) as Joint Auditors of the Company, to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to authorize Board of Directors to fix their remuneration.

**SPECIAL BUSINESS:****8. Appointment of Mr. Surendra Singh as Director of the Company**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED that Mr. Surendra Singh, who was appointed by the Board of Directors as an Additional Director of the Company and who holds office till the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

**9. Approval for payment of Commission to Non Whole time Directors:**

To consider and if thought fit to pass with or without modification(s) following resolution as **Special Resolution**:

"RESOLVED that in conformity with the provisions of Section 309 and any other applicable provisions of Companies Act, 1956, and in supersession of the earlier approval given by the members in their Annual General Meeting held on June 19, 2006, approval be and is hereby accorded to the payment of commission for a sum not exceeding 1% per annum of the net profit of the Company calculated under Section 198, 349 and 350 of the Companies Act, 1956 to some or any of the Non Executive Directors of the Company, in such manner as the Board of Directors may determine from time to time and such payment be made in respect of profits of the Company for the whole or proportionately for a part of financial years during a period of five years commencing from April 1, 2011 and expiring with the financial year ending March 31, 2016."

**Registered Office:**

GHCL HOUSE  
Opp. Punjabi Hall  
Navrangpura  
Ahmedabad - 380009  
Dated: July 18, 2011

By Order of the Board  
For **GHCL LIMITED**

Sd/-  
**Bhupneshwar Mishra**  
General Manager & Company Secretary

**NOTE**

1. **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. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
3. The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of Special Business in the notice is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, August 26, 2011 to Friday, September 2, 2011 (both days inclusive).
5. The dividend as recommended by the Board of Directors will be paid to those members whose names appear on the Company's Register of Members on August 26, 2011. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership furnished by National Securities Depositories Limited (NSDL) and Central Depositories Services (India) Limited (CDSL) for this purpose.
6. The relevant details of directors seeking reappointment under Items No. 3 to 6, as required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges is given herein below.
  - a. Mr. Neelabh Dalmia (DOB – August 16, 1983) is a Director of the Company. He is Bachelor of Science in Business from Indiana University, Kelly School of Business, Bloomington, Indiana with majors in Finance and Entrepreneurship. He is a member of Share Transfer and Investors/Shareholders Grievance Committee, Subsidiary Monitoring Committee and Banking and Operations Committee of the Company. He is not a member or Chairman of any Board or committee, other than GHCL Limited. He does not hold any shares in the Company.
  - b. Mr. Sanjay Dalmia (DOB - March 17, 1944) is Non-executive Chairman of the Company. Mr. Dalmia is an eminent Industrialist and is an Ex-member of Rajya Sabha (Upper house of Parliament). He is also the Chairman of Remuneration Committee and Project Committee of the Company. He is neither a member of more than 10 Committees nor a Chairman of more than 5 Committees. He is a Director on the Board of Golden Tobacco Limited (formerly known as GTC Industries Limited). He does not hold any shares in the Company.
  - c. Mr. Sanjiv Tyagi (DOB – February 25, 1959) is a Director of the Company. He is a graduate in arts and Diploma in Hotel Management from the prestigious Oberoi School of Hotel Management. He had worked with Oberoi Group, Holiday Inn, Radisson, Unitech etc. He has very rich experience in Hotel Industry and his area of specialization is Management. He is a member of Remuneration Committee of the Company. Mr. Tyagi is neither a member of more than 10 Committees nor the Chairman of more than 5 Committees. He is on the Board of Unitech Country Club Limited, Unitech Pioneer Recreation Ltd., Unitech Pioneer Nirvana Recreation Ltd., Landmark Dwellers Pvt. Ltd., Landmark Infracon Private Limited, Siya Management Consultants Private Limited and Jupiter Venture Lands Private Limited. He does not hold any shares in the Company.

- d. Mr. Mahesh Kheria (DOB – July 18, 1955) is a Director of the Company. He is a graduate in commerce and his area of specialization is Finance & Marketing. He has very wide areas of industrial experience and very long association with the Company. He is a member of the Share Transfer and Investors/Shareholders Grievance Committee of the Company. He is neither a member of more than 10 Committees nor a Chairman of more than 5 Committees. He is a Director on the Board of Mass Food Products Pvt. Ltd. and Amicus Advisory Pvt. Ltd. He does not hold any shares in the Company.
7. Members are requested to notify immediately any change of address to their Depositories Participants (DPs) in respect of their electronic share accounts and to the Share Transfer Registrar of the Company in respect of their physical share folios, if any.
  8. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for deletion or / change in such bank details. Further instruction, if any, already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend, directly to their Depositories Participants.
  9. Ministry of Corporate Affairs, vide its circular no 17/95/2011 CL-V dated April 21, 2011 and subsequent to clarification issued on April 29, 2011, has announced "green initiatives in the Corporate Governance" and permitted companies to service documents to the members of the company on their registered email addresses which shall be deemed to be in compliance of provisions of Section 53 of the Companies Act read with applicable provisions of Information Technology Act 2000. Keeping in view the aforesaid circular issued by MCA, company proposes to send correspondence and documents like the notice calling the general meeting, audited financial statements, directors' report, auditors' report etc. in electronic form, to the email address provided by Shareholders and made available by the Depositories, instead of sending documents in physical form. As such the members are requested to furnish / register their email id's to enable the Company to send all notices, financial statements etc. of the Company through electronic mode. Shareholders are requested to furnish / register their email ids at ghclgogreen@linkintime.co.in
  10. Members are requested to send their queries, if any, at least seven days in advance of the meeting so that the information can be made available at the meeting.
  11. All documents referred to in the Notice and Explanatory Statement is available for inspection at the Registered Office of the Company during the business hours between 2.00 PM and 4.00 PM on all working days of the Company up to the date of the Annual General Meeting.
  12. Members attending the Meeting are requested to complete the enclosed slip and deliver the same at the entrance of the meeting hall.
  13. Persons attending the Annual General Meeting are requested to bring their copies of Annual Reports as the practice of distribution of copies of the report at the meeting has been discontinued.
  14. Dividend for the financial year ended March 31, 2004, which remains unpaid or unclaimed, will be due for transfer to the Investor Education and Protection Fund of the Central Government (IEPF) in the month of October 2011 pursuant to provisions of Section 205A of the Companies Act, 1956. Members who have not en-cashed their dividend warrant(s) for the financial year ended March 31, 2004 or any subsequent financial year(s), are requested to lodge their claims with Link Intime India Private Limited (Formerly Intime Spectrum Registry Limited) (LIILPL). Members are advised that once the unclaimed dividend is transferred to IEPF no claims shall lie in respect thereof.
  15. Electronic Clearing Service (ECS) Facility: With respect to payment of dividend, the Company provides the facility of ECS to all shareholders, holding shares in electronic and physical forms.
  16. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in Securities Market. The members holding shares in electronic form are therefore requested to submit the PAN to their depository participants with whom they are maintaining their Demat Accounts. Members holding shares in physical form can submit their PAN details to the Company or Registrar and Transfer Agent i.e. Link Intime India Pvt. Limited.
  17. **Nomination Facility:** Members holding shares in physical form may obtain the nomination form from the Company's Registrar and Share Transfer Agent. Members holding shares in electronic form may obtain the nomination form from their respective Depository Participants.

#### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

##### **Item No. 8**

Pursuant to as per Article 131 and 138 of the Articles of Association of the Company, the Board of Directors, by passing a resolution through circulation, had appointed Mr. Surendra Singh as an Additional Director on the Board of the Company w.e.f. November 23, 2010. Pursuant to Section 260 of the Companies Act, 1956, Mr. Surendra Singh will hold office as an Additional Director up to the date of the ensuing Annual General Meeting. The Company has received notice in writing from member proposing the candidature of Mr. Surendra Singh for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Mr. Surendra Singh, aged about 74 years (DOB – July 21, 1937) is a retired IAS officer and has held very senior position in the Central and State Governments such as Cabinet Secretary to the Government of India, Special Secretary to the Prime Minister of India, Executive Director – World Bank etc. Mr. Singh is neither a member of more than 10 Committees nor a Chairman of more than 5 Committees. He is on the Board of Jubilant Life Sciences Limited, NIIT Limited, NIIT Technologies Limited, NIIT Smartserve Limited, CMC Limited and JP Morgan Mutual Fund India Private Limited. He does not hold any shares in the Company and his association with the Board will be of immense value to the overall progress of the Company. Mr. Surendra Singh fulfils the conditions of "Independent Director" as stipulated in the Clause 49 of the Listing Agreement and accordingly he will be considered as an Independent Director of the Company.

Your Directors recommend the resolution for your approval. Save and except Mr. Surendra Singh, none of the Directors of the Company is interested in the resolution.

##### **Item No. 9**

Subsection (4) of Section 309 of the Companies Act, 1956 provides for the rate of remuneration payable to the Directors who are not in the whole time employment of the Company. Since your Company has whole time Directors, the remuneration (in the form of Commission), payable to Non Whole time Director shall not exceed 1% of the net profit of the Company. Pursuant to Sub-section (5) of Section 309, such net profit shall be computed in the manner referred to in Section 198 (1) and other applicable provisions of the Companies Act, 1956.

The shareholders in their Annual General Meeting held on June 19, 2006 had approved commission for Non whole time Directors @ 1% of the net profit of the Company. However, Sub-section (7) of Section 309 provided that any Special Resolution according authority for payment of remuneration to Non Whole time Director shall not remain in force for a period of more than five years, but may be renewed, from time to time, by Special Resolution, for further period of not more than five years at a time. It is also a condition that no renewal shall be effected earlier than one year from the date on which it is to come into force. Hence the resolution is placed for approval of members. Non Executive Directors may be deemed to be concerned or interested in the passing of this resolution.

##### **Registered Office:**

GHCL HOUSE  
Opp. Punjabi Hall  
Navrangpura, Ahmedabad - 380009  
Dated: July 18, 2011

By Order of the Board of Directors

For **GHCL LIMITED**

Sd/-

**Bhuvneshwar Mishra**

**General Manager & Company Secretary**

## DIRECTORS' REPORT

To  
The Members,

We are pleased to present the 28<sup>th</sup> Annual Report and the audited accounts of the Company for the financial year ended March 31, 2011.

### OPERATIONAL RESULTS

The summary of the financial performance of the Company for the financial year ended March 31, 2011 compared to the previous year ended March 31, 2010 is given below:

		(₹ in Lacs)
Particulars	Year Ended March 31, 2011	Year Ended March 31, 2010
Net Sales /Income	151,146.70	122,546.09
Gross profit before interest and depreciation	34,982.54	30,320.37
Interest	11,043.48	10,544.94
Profit before depreciation and amortisation - (Cash Profit)	23,939.06	19,775.43
Depreciation / Amortisation	8,439.55	7,611.18
Profit before Tax	15,499.51	12,164.25
Provision for Taxation – Current	52.52	12.00
Provision for Taxation – Deferred	3814.45	(1,932.29)
Profit after Tax	11,632.54	14,084.55
Balance brought forward from last year	23,786.07	28,431.93
Prior period adjustments	64.29	(11.29)
Excess provision for tax for earlier years	75.52	21.93
Amount available for appropriation	35,558.42	42,527.15
<b>Appropriations</b>		
Transfer to General Reserve	1,163.25	1,408.45
Transfer to General Reserve as per Scheme of Arrangement	17,500.00	15,000.00
Proposed Dividend	2,000.39	2,000.39
Tax on Dividend	324.51	332.24
Balance carried to Balance Sheet	14,570.27	23,786.07

### PERFORMANCE HIGHLIGHTS

#### Soda Ash

The Global Soda Ash demand was 46 million tons in 2010 with a capacity of 57 million tons. After growing at an average annual rate of almost 5 percent per year since 2004, world soda ash demand fell by about 9.5 percent in 2009. In 2010 the markets have recovered much faster than the earlier expectation. Demand for Soda Ash remained robust during the year, price pressure from key inputs such as salt and energy weighed heavily. However, there has been a noticeable improvement in the soda ash prices from the fourth quarter onwards and the industry is optimistic about the price trend. Emerging economies – particularly in China and the wider Southeast Asia region, the Middle East, South Asia and South America continue to be “growth driver” for Soda Ash. Rising GDPs and urbanization in these regions have led to a higher per capita consumption of products manufactured using soda ash. Demand for glass and detergents in emerging world markets surged in the last few years. Hence the global outlook looks promising for soda ash. The demand for soda ash is forecast to grow at about 3 to 4 percent per year over the next five years.

The strong rebound of the Indian Economy was witnessed in Soda Ash also as demand growth rebounded to a very healthy 6% in 2010. It is expected that on the back of a strong growth in Glass (Construction/Automobiles) and Detergents (FMCG penetration and growth) Soda Ash demand will continue to grow at 5-6% in the current year. Import of Soda Ash from Kenya, Europe, Pakistan & other countries like Turkey are a major concern for Soda Ash industry. The Finance Ministry of Government of India had imposed Safeguard Duty on all Soda Ash Imports from China as part of its efforts to maintain a healthy domestic Soda Ash industry in the Country. While the imposition of Safeguard Duty has tampered Chinese Imports to some extent, the said duty has lapsed in April 2011. Continued imports from other European producers like Turkey/Russia/Romania and Ukraine where domestic markets still remain weak and remains a challenge. An application for Anti-Dumping has been filed with the ADD and continuous follow up is on to get an expeditious order.

Your company had successfully completed its soda ash expansion during 2007-08 which has resulted increase in production capacity up to 8.50 lacs MTPA in India. The Company's domestic production of Soda Ash for the year under review at 710012 tons, which was 8.12% higher as compared to the previous year. The Company achieved sales of Soda Ash 656969 tons during the year including exports.

Soda Ash manufacturers are experiencing a tough time, as high input and energy cost seem to affect the profit margins. Your company is better placed because of its own captive lignite mines and in-house developed briquette usages as an alternative source of fuel, which is cost effective and also reduced dependability on other source of energy.

#### Bi-Carbonate (BICARB)

During the year, the Company achieved production of Bi-Carbonate 22378 tons against 20161 tons in the previous year, which is higher by 11.00%. During the year the Company achieved sales of Bi-Carbonate 22912 tons against 19648 tons in the previous year, which is higher by 17.00%.

#### Home Textiles

The Indian Textile Industry, 2<sup>nd</sup> largest in the world, continued its growth journey during 2010-11, which was due to continuation of Government of India's stimulus package especially the extension of TUFs (Textile up-gradation Fund scheme). The industry registered a growth of around 10% during the year 2010-11 with exports also registering a significant growth.

GHCL has also achieved remarkable performance in its textile business for the year 2010-11 in terms of overall performance and profitability of the Company. The revenue has gone up by 49% to ₹ 571 Crore as compared to ₹ 383 Crore in the last year and the operating profit has sharply increased from ₹ 18.07 Crore in 2009-10 to ₹ 53.97 Crore in 2010-11 which is a significant increase of 199%.

The above performance has been achieved due to our constant marketing efforts winning us large orders from the major retailers of the world. Your company, with its State-of-art textile facilities from spinning to made-ups, has cautiously rationalized its customer base and successfully made deep inroads with large Global Retailers for running their replenishment programmes. Your company today boasts of a customer base that comprises of Wal-Mart, K-Mart/Sears, Macys, Bed Bath & Beyond, J C Penny and U.S. Polo in the USA and the likes of House of Fraser, 3 Suisses and Galeries Lafayette in Europe. Additionally,



with other measures like excellent cotton coverage, timely investment in value added segment like compact spinning, optimum utilization of wind energy and power trading, your company has been able to achieve significant improvement in profitability and operational performance in its Textile Business as compared to previous year.

The Management is taking further initiatives in terms of adding more capacities in value-add segment, Weaving and Cut & Sew Facility which would have significant benefit in the coming years.

#### **DIVIDEND**

Your Directors are pleased to recommend a dividend of ₹ 2.00 per Equity Share for the financial year ended March 31, 2011.

#### **FINANCE**

The Company had issued an aggregate of US\$ 80.5 million Foreign Currency Convertible Bonds (FCCBs) at a coupon rate of 1% in 2005. The subscribers had an option to convert bonds into shares at a price based on price mechanism determined in the offering documents and Bond could be converted at a price of ₹ 147.9533 per share equivalent to USD 3.2278 is exercisable between September 2006 to March 2011. At the beginning of Financial year 2010-11, the outstanding FCCBs were USD 29.00 million. During the Financial year 2010-11, the Company had repurchased (bought back) FCCBs aggregating to face value of USD 21.00 million and extinguished the same in line with the approval received from Reserve Bank of India. Further, on March 18, 2011, the Company had paid full and final outstanding amount in respect of the balance Bond having face value of USD 8.00 million along with interest & premium thereon before the maturity date of said Bond i.e. March 21, 2011. After said buy back and redemption, there is no outstanding of FCCBs as on March 31, 2011.

During the financial year your Company has transferred to investors' education and protection fund account (IEPF) a sum of ₹ 31.80 lacs towards unclaimed dividend/unclaimed deposits along with interest thereon.

#### **FIXED DEPOSITS**

Your Company discontinued inviting, accepting and renewing of fixed deposits effective from September 24, 2002. However, unclaimed deposits of ₹ 0.27 lacs have been transferred to IEPF during the financial year, which is included in ₹ 31.80 lacs transferred, as stated above.

#### **EMPLOYEES STOCK OPTION SCHEME**

Your company has Stock Option Scheme for its employees as per the Revised Scheme approved by shareholders in their Extra Ordinary General Meeting held on March 19, 2008 and accordingly Compensation Committee in their meeting held on March 24, 2008 had granted options to its eligible employees. Under the current ESOS Scheme the employees would be entitled for minimum guaranteed return of 20% on the Market price of the shares i.e. the latest available closing price prior to the date when the options are granted, at the time of exercise of the option. Pursuant to the approval given by the Compensation Committee, "vesting period" of options granted was two years from the date of grant (i.e March 24, 2008). Accordingly, eligible employees can exercise their rights on the valid options granted to them by the Committee on or after March 24, 2010. However, no employee has exercised his right on the vested option so far. The details as per regulation 12 of SEBI (ESOS & ESPS) Guidelines 1999 are given as an Annexure – II forming part of this report.

#### **SUBSIDIARIES**

The soda ash production of GHCL Upsom, Romania, a step down subsidiary of the Company, was adversely affected due to outstanding issues with gas supplier M/s Romgaz and accordingly the management had taken decision to close down production. Romgaz (gas supplier to GHCL Upsom) has initiated insolvency proceedings against GHCL Upsom, Romania. Thereafter, your company had engaged Roland Berger, a consultant to conduct study and submit its report about operational viability of GHCL Upsom. Based on the Preliminary findings, Roland Berger has reported that resumption of operations may not be viable without major investments and incentives from the Romanian Government. Accordingly, the Management is in dialogue with BCR Bank, Romgaz and the Romanian Government to work out a re-organization plan of GHCL Upsom, if feasible.

Rosebys Interiors India Limited (RIIL), a subsidiary, is engaged in the business of Home and Life Style Retailing. RIIL's Retail Business Model was franchisee based model driven by minimum guarantee to the franchisees and the same has not proved financially viable for the last two years. RIIL is now in the process completely revamping its business. Keeping in view of long term strategy, the Board of Directors of GHCL in its meeting held on February 25, 2011 had given in-principle approval for sale of its investment held in Rosebys Interiors India Limited. Accordingly, a merchant banking firm has been engaged to locate a suitable buyer to meet its objective.

The operations of Colwell & Salmon USA, subsidiary company engaged in the IT outsourcing business, have been stopped as the same are not viable. Also, another non operating subsidiary namely Fabient Global Limited has been voluntarily wound up during the year by following the process of Easy Exit Scheme 2011.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, on February 8, 2011, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. As required under the said circular, the Board of Directors of your Company at its meeting held on July 18, 2011 give its consent for not attaching the Balance Sheet of its subsidiaries, as they would be made available to its members at the Company's website. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any members of the company on receipt of a written request from them at the Registered Office of the Company. The Annual Accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company these documents on any working day during business hours. The Consolidated Financial Statements presented by the Company include financial results of its subsidiary companies. Details regarding subsidiaries have been provided in note no. 12 (refer page no. 43 of Annual Report) and also under Statement u/s 212 of the Companies Act, 1956 (refer page no. 54 to page no. 56).

#### **CONSOLIDATED FINANCIAL STATEMENTS**

Your Directors have pleasure in attaching the Consolidated Financial Statements pursuant to Clause 32 read with Clause 41 of the Listing Agreement entered into with the Stock Exchanges and prepared in accordance with Accounting Standard 21 (Consolidated Financial Statements) of Institute of Chartered Accountants of India, for financial year ended March 31, 2011.





## MANAGEMENT DISCUSSION AND ANALYSIS

In terms of Clause 49 of the Listing Agreement of the Stock Exchanges, the detailed review of the operations, performance and future outlook of the Company and its business is given in the Management's Discussion and Analysis Report which forms part of this Annual Report. The report on Management's Discussion and Analysis is annexed with the Report.

## CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a compliance report on Corporate Governance has been annexed as part of the Annual Report along with Auditor's certificate for the compliance.

## LISTING/DELISTING OF THE EQUITY SHARES/FCCBs

The equity shares of your Company are listed at Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) and Ahmedabad Stock Exchange Limited, (ASE). The annual listing fees for the year 2010-11 have been paid to all these Stock Exchanges. The application for voluntarily delisting of Company's ordinary shares is pending with The Calcutta Stock Exchange Ltd. (CSE), in spite of the fact that company had submitted all relevant information asked by CSE. Company had also requested SEBI to interfere in the matter and direct CSE to delist the shares of the Company as the Company had complied with all statutory requirement. Company on its own had stopped filing of information to CSE and listing fee. The Foreign Currency Convertible Bonds (FCCBs) issued by the Company are bought back and/ or fully paid and there is no outstanding FCCB in the books of the Company.

## DIRECTORS

Shri Sanjay Dalmia, Shri Neelabh Dalmia, Shri Sanjiv Tyagi and Shri Mahesh Kheria directors retire by rotation and being eligible, offer themselves for re-appointment. The Board recommends their appointments at the ensuing Annual General Meeting.

Shri Surendra Singh was appointed as Additional Directors with effect from November 23, 2010. The Company has received notice u/s 257 of the Companies Act, 1956 from shareholder signifying intention to propose at the ensuing Annual General Meeting the candidature of Shri Surendra Singh Director of the Company. The Board recommends his appointment at the ensuing Annual General Meeting.

Mr. Naresh Chandra, Director resigned w.e.f November 3, 2010. Your Directors wish to record their gratitude and appreciation for the contribution by above director during his tenure as Director of the Company.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

Information pursuant to Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure-I forming part of this Report.

## PARTICULARS OF EMPLOYEES

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, are set out in Annexure to the Directors' Report and forms part of the Report. However, having regard to the provisions of Section 219 (1)(b) (iv) of the Companies Act, 1956, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

## STATUTORY AUDITORS

M/s Jayantilal Thakkar & Co., Chartered Accountants and M/s Rahul Gautam Divan & Associates, Chartered Accountants, the Joint Auditors of the Company will retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received certificates from the auditors to the effect that their re-appointment, if made, would be in accordance with Section 224 (1B) of the Companies Act, 1956. The Board recommends their re-appointment.

## COST AUDITORS

The Board has appointed M/s R J Goel & Company, Cost Accountants, New Delhi, M/s L S Sathiamurthi & Co., Cost Accountants, Chennai and M/s N D Birla & Co., Cost Accountants, Ahmedabad as Cost Auditors for the Soda Ash division, Yarn division (Madurai) and Home Textile division (Vapi) of the Company respectively under Section 233B of the Companies Act, 1956 for the financial year 2011-12.

## AUDITORS' REPORT

The Auditors have qualified on certain matters and the same are clarified in notes on accounts no. 2 and 31 which are forming part of Balance Sheet as at March 31, 2011 and profit and Loss Accounts for the year ended on that date, are self explanatory and therefore do not call for any further comment U/s 217 (3) of the Companies Act, 1956.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that:

- in the preparation of the annual accounts for the financial year ended March 31, 2011 the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there has been no material departures from the same ;
- appropriate accounting policies have been selected by them and applied the same consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and of the profits of the Company for the financial year ended March 31, 2011;
- the proper and sufficient care has been taken by them for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the annual accounts for the financial year ended March 31, 2011 have been prepared by them on a going concern basis.

## ACKNOWLEDGEMENT

The Directors express their gratitude to Financial Institutions, Banks, and various other agencies for the co-operation extended to the Company. The Directors also take this opportunity to thank the shareholders, bondholders, customers, suppliers, lenders and distributors for the confidence reposed by them in the Company. The employees of the Company contributed significantly in achieving the results. The Directors take this opportunity of thanking them and hope that they will maintain their commitment to excellence in the years to come.

For and on behalf of the Board of Directors  
**For GHCL Limited**

**SANJAY DALMIA**  
Chairman

Date: July 18, 2011  
Place: New Delhi

**ANNEXURE I TO THE DIRECTORS REPORT**
**A. CONSERVATION OF ENERGY**
**a) Energy Conservation Measure Taken**

- 1 Usage of low GCV fuel in CFBC boiler maximized.
- 2 Mechanized briquette plant stabilized and efforts are being made for 100% briquette usage during non-monsoon months.
- 3 Revamping of Old nano filtration plant done, reduced load on high energy consuming RO plants and cost intensive seawater processing.
- 4 Detailed energy audit by CII was carried out, recommendations being implemented in phases.

**b) Additional Investment & proposals, if any, being implemented for reduction of consumption of energy**

- 1 Installation of condensing turbine for better steam power balance.
- 2 Installation of 120 TPH motor driven boiler feed water pump.
- 3 Implementation of CII recommendations.
- 4 Installation of Narmada water pipe line. This will eliminate operation of high energy consuming RO plants.

**B. POWER & FUEL CONSUMED**

	Year ended March 31,2011	Year ended March 31,2010
<b>1 Electricity</b>		
(i) Purchased Units ( lacs kwh)	<b>777.50</b>	623.17
Total amount (₹ lacs )	<b>4,216.65</b>	3,305.66
Rate per Unit (₹)	<b>5.42</b>	5.30
(ii) Own Generation		
(a) Through DG		
Units ( lacs kwh )	<b>69.03</b>	79.13
Units per ltr of Diesel Oil	<b>3.34</b>	3.41
Cost per Unit (₹)	<b>10.66</b>	9.58
(b) Through GTG		
Units (lacs kwh)	<b>221.14</b>	206.27
Units per SCM of Gas	<b>3.76</b>	3.58
Cost per Unit (₹)	<b>5.00</b>	4.56
(c) Through TG		
Units ( lacs kwh )	<b>1,627.52</b>	1,587.95
Cost per Unit (₹)	<b>1.80</b>	1.61
<b>2 Coal</b>		
Quantity (MT)	<b>1,89,147.00</b>	1,71,061.25
Total Cost (₹ lacs )	<b>10,374.43</b>	8,210.85
Average Rate (₹/MT)	<b>5,484.85</b>	4,799.95
<b>3 Lignite</b>		
Quantity ( MT )	<b>2,97,254.00</b>	3,27,680.00
Total Cost ( ₹ lacs )	<b>4,401.46</b>	3,549.91
Average Rate (₹/MT)	<b>1,480.71</b>	1,083.35
<b>4 Consumption per Unit of Production</b>		

	Production (MT)	Electricity (kwh/MT) Year ended March 31, 2011	Year ended March 31, 2010
Soda Ash	7,10,012	<b>252.49</b>	256.32
Salt	35,818	<b>31.34</b>	37.05
Yarn	12,743	<b>5.18</b>	4.64
Cloth ( Fabric '000 Meters)	30,336	<b>0.76</b>	0.73
Coal -Soda Ash (MT/MT)	7,10,012	<b>0.27</b>	0.25
Lignite - Soda Ash (MT/MT)	7,10,012	<b>0.42</b>	0.48

**C. TECHNOLOGY ABSORPTION**
**1 Research & Development**

Efforts continue to bring in operational efficiencies and product up gradations to meet specific customer need both domestic and export. No specific expense can be earmarked for Research & Development, as this is an ongoing process at the operational level

**2 Technology -Absorption ,Adoption and Innovation**

The technology for soda ash provided by M/s Akzo Zout Chemis of the Netherlands has been fully absorbed.

**3 Imported Technology**
**a) Technology Import**

Soda Ash manufacturing technology by Dry Process.

**b) Year of Import**

January 1984

**c) Has technology been fully absorbed ?**

Yes, the technology has been fully absorbed.

**d) If technology has not been fully absorbed?**

Not applicable.

**D. FOREIGN EXCHANGE EARNING AND OUTGO**

Particulars with regard to foreign exchange earnings and outgo appear in the relevant Schedules of the Balance Sheet.