



29<sup>th</sup>

**Annual Report  
2011 - 2012**



GHCL Limited

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**Annual General Meeting – Thursday, September 20, 2012**

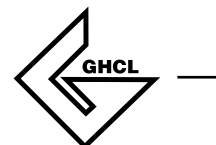
**Time – 9:30 A.M.**

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

**Book Closure Date -** From September 10, 2012 to September 20, 2012

### Important Communication to Members

Ministry of Corporate Affairs had 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 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>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. Teliforce Holding India Ltd.
2. Grace Home Fashions LLC
3. Rosebys Interiors India Limited
4. Indian England N V, the Netherlands
5. Indian Wales NV, the Netherlands
6. 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  
Manaparai - 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

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

Dear Shareholders,

Your company continues to record its impressive growth despite numerous challenges in the international market and the economy of the country.

The year 2011-12 has been a challenging year for the world economy including India. The Eurozone crisis has impacted the global financial system, resulting in a significant cut-back in investment flows and the availability of funds.

We in India too have been impacted by these events although not as severely as the developed countries of the world. Since global trade has dropped drastically, exports are badly affected. There is uncertainty and volatility in markets and not much clarity on when economic growth will pick up. Higher input costs have hit everyone across the board. The cost of and access to funds for both consumers and corporate was another major issue.

The Rupee has lost close to 25% its value against the US dollar mainly on account of high volatility in Eurozone which has led to this currency depreciation. Despite a highly volatile currency market, we have managed to display the resilience and robustness to face external challenges and have further scaled up our business as planned.

We have undertaken many proactive initiatives to sustain and expand our business even while mitigating potential risks. Apart from this your whole hearted support to the company's robust strategy to pursue multiple drivers of growth and initiatives has led to a significant jump in the revenues. Our ability to identify and pre-empt challenges have not only enabled us to grow during upturns but also grow steadily even during tough times. Our investments in capacities, ownership & management of resources and state-of-the-art plants have enabled us to prove our capabilities at a global level.

Our initiatives translated into another robust performance during the year under review. Our top line grew by 26% to Rs.1906 Crore as against Rs.1511 Crore in 2010-11. Our EBITDA improved by 10% to Rs.384 Crore in 2011-12 against Rs.350 Crore in previous year. We have also been very agile and fleet-footed in reacting to the volatility of the international currency markets and have been able to mitigate any risks arising thereof by prudently responding to the changing market conditions.

The Soda Ash Industry continued to witness intensive dumping of material last year from EU countries as well as Ukraine, Kenya, and Turkey apart from China and Pakistan which impacted the domestic players who are already facing pressures on their margins due to rising costs and availability of raw materials. After prolonged legal battle by the Industry, finally Anti-Dumping Duty has been levied on many of these dumping countries from July this year. This step by the Government would go a long way in protecting the employment of lakhs of people in Soda Ash Industry especially the downstream industry like Salt, which employ a large number of rural and tribal workforce.

The Textile Industry, especially spinning witnessed unprecedented volatility in cotton and yarn prices last year, not seen in the last four decades. This adversely affected the entire spectrum of people associated with the industry like ginners, traders and manufacturers and ultimately led to closure of many yarn manufacturing units last year. From the beginning of this calendar 2012, the position has now stabilized both in terms



of cotton and yarn prices. Being the second largest provider of employment, the Government needs to put a mechanism in place so that any reoccurrence of this kind of volatility does not impact the future of farmers and other people directly or indirectly employed by Textile Industry.

Our Home-Textile Business continues to grow from strength to strength and last year we almost doubled our revenue from Rs. 276 Crore to Rs.530 Crore. The Home-Textile Industry employs millions of workers in both organised and un-organised sector in India and Pakistan. Both these countries are major source of supply of Home-Textile products to retail chains in US and Europe like Wal-Mart, K-Mart and J C Penny etc. It is desirable to have a suitable mechanism in place so that there is no unfair competition between India and Pakistan to grab volume in American and European retail industry.

Our Edible Salt division continues to grow strongly and posted robust performance during the year. The launch of our new Salt Brand "IFLO" has met with an excellent market response and we are the first company which has successfully introduced Herbal Salt also under "IFLO" brand with significant health benefits. Additionally, the Salt division obtained ISO 22000 accreditation on food safety – first in the Salt Industry.

Going forward, we want to further reinforce our core strengths and continue to focus on offering unparalleled quality products to our clients. We would want to further strengthen our relationships with all our customers across the globe and ensure delivering a world-class product mix going forward.

I would like to take this opportunity to thank all our stakeholders – our employees who are core to the organization, communities who have trusted us, Governments, who, over the years, have supported us, customers who have time and again reposed their faith in us, suppliers who have enabled us to perform, lenders who have funded our growth plans and, not least, investors who have stood by us

**Sanjay Dalmia**  
Chairman

**NOTICE**

NOTICE is hereby given that the 29<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 Thursday, September 20, 2012 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, 2012, Statement of Profit and Loss 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, 2012.
3. To appoint a director in place of Mr. Anurag Dalmia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. S. H. Ruparell, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a director in place of Dr. B. C. Jain, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a director in place of Mr. G. C. Srivastava, 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. Re- Appointment of Mr. R. S. Jalan as Managing 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 pursuant to the provisions of Section 198, 269, 309, 311, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any amendment thereof and pursuant to Article 166 of the Articles of Association of the Company, Mr. R S Jalan be and is hereby re-appointed as a Managing Director of the Company, for a period of 5 years with effect from June 7, 2012, liable to retire by rotation, on such terms and conditions including remuneration as stated in the Explanatory Statement annexed to the Notice convening this meeting with liberty to the Board of Directors to alter and vary the terms and conditions of the said re-appointment in such manner as Board may think fit;

RESOLVED FURTHER that the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem necessary, proper and expedient to give effect to this resolution."

**Registered Office:**

GHCL HOUSE  
Opp. Punjabi Hall  
Navrangpura, Ahmedabad - 380009  
Dated: May 30, 2012

By Order of the Board

For **GHCL LIMITED**

Sd/-

**Bhuvneshwar 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 Monday, September 10, 2012 to Thursday, September 20, 2012 (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 September 10, 2012. 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. Anurag Dalmia (DOB - May 11, 1956) is a Director of the Company. Mr. Dalmia is a member of the Project Committee of the Company. Mr. Dalmia is an eminent Industrialist and had also represented PHD Chambers of Commerce and Industry. Mr. Dalmia is neither a member of more than 10 Committee nor a Chairman of more than 5 Committees. He is a Director on the Board of Golden Tobacco Limited and also a member of the committee of Confederation of Indian Textile Industry. He does not hold any shares in the Company.
  - b. Mr. S H Ruparell (DOB - December 5, 1931) is a Director of the Company. He is an expert in Corporate Laws and solicitor authorized to administer Oath in UK. 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.
  - c. Dr. B. C. Jain (DOB - October 8, 1938) is a Director of the Company. He is LL. B, ACCS, Ph. D. and Fellow member of Institute of Chartered Accountants of India (ICAI) and his area of specialization is Finance, Banking and Accounting. He was on the Board of Union Bank of India, Central Bank of India and Bank of India. He has also been the Central Council Member of ICAI and the Member of Peer Review Board of ICAI. Dr. Jain is the Chairman of Audit Committee and a member of Remuneration 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.
  - d. Mr. G. C. Srivastava (DOB - September 20, 1947) is a Director of the Company. He is an ex-IRS. Mr. Srivastava had joined Indian Revenue Service in 1971 and retired on September 30, 2007 as Director General of International Taxation. He is having very rich

experience in Tax and Accounting. He is a member of the Audit Committee of the Company. He is a Director on the Board of India Bulls Asset Management Co. Limited. He is neither a member of more than 10 Committees nor the Chairman of more than 5 Committees. 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 had taken a "Green Initiative in the Corporate Governance" and permitted companies to service documents to the members of the Company on their e-mail addresses. Accordingly, the Company will send the correspondence and documents including Annual Report etc. in electronic form, to the e-mail address of the members instead of sending documents in physical form. To support this green initiative in full measure, members who have not registered their e-mail addresses so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail ids at [ghclgogreen@linktime.co.in](mailto:ghclgogreen@linktime.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, 2005, 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 2012 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, 2005 or any subsequent financial year(s), are requested to lodge their claims with Link Intime India Private Limited (Formerly Intime Spectrum Registry Limited) (LIPL). 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**

The Board of Directors has re-appointed Mr. R S Jalan as Managing Director of the Company for a period of five years with effect from June 7, 2012. The disclosure in accordance with the provisions of Clause 49 of Listing agreement in regard to the reappointment of Managing Director is given below:

Mr. R S Jalan, born on October 10, 1957, is a graduate in Commerce and Fellow member of Institute of Chartered Accountants of India and having a very wide experience in Corporate Finance and Textiles. Mr. R S Jalan has more than 30 years of Industrial experience. Mr. R S Jalan is a Director on the Board of Sumedha Investments Pvt. Ltd. and Sachin Holdings Pvt. Ltd. He is a member of Share Transfer & Investors' Grievances Committee and Banking & Operations Committee of the Company. He is neither a member of 10 Committees nor the Chairman of more than 5 Committees. Mr. Jalan holds 50,843 equity shares of the Company. Mr. R S Jalan fulfills the eligibility criteria set out under Part I of Schedule XIII to the Companies Act, 1956. The remuneration payable to Mr. R S Jalan is in line with the Uniform remuneration package payable to Whole time Directors and Managing Director. This approved remuneration package is also in accordance with the provisions of Schedule XIII of the Companies Act, 1956.

1. Basic Salary: ₹5,44,000/- per month, which may be increased by such amount as the Board may determine from time to time within the overall approval given in Uniform Remuneration Package as approved by the members.
2. Perquisites: Mr. R S Jalan shall also be entitled to the perquisites covering Housing, Medical Reimbursement, Leave, Leave Travel Concession, Club Fee, Personal Accident Insurance, conveyance, Telephone etc. as approved under the Uniform Remuneration Package.

Except Mr. R S Jalan none other directors are interested in the resolutions. Your Board recommends the above resolution for your approval.

The explanation together with accompanying notice is and should be treated as abstract U/s 302 of the Companies Act, 1956 in respect of changes in remuneration of Whole Time Directors including Managing Director.

#### **Registered Office:**

GHCL HOUSE  
Opp. Punjabi Hall  
Navrangpura, Ahmedabad - 380009  
Dated: May 30, 2012

By Order of the Board of Directors  
For **GHCL LIMITED**  
Sd/-

**Bhuwneshwar Mishra**  
General Manager & Company Secretary

## DIRECTORS' REPORT

To  
The Members,

We are pleased to present the 29<sup>th</sup> Annual Report and the audited accounts of the company for the financial year ended March 31, 2012.

### OPERATIONAL RESULTS

The summary of the financial performance of the Company for the financial year ended March 31, 2012 compared to the previous year ended March 31, 2011 is given below:

(₹ in Lacs)		
Particulars	Year Ended March 31, 2012	Year Ended March 31, 2011
Net Sales /Income	<b>190,635.81</b>	151,146.70
Gross profit before interest and depreciation	<b>38,446.03</b>	34,972.54
Finance Cost		
(a) Interest Cost	<b>14,576.31</b>	11,043.48
(b) Loss on foreign currency transactions and translation (net)	<b>3,919.84</b>	-
Total Finance cost (a+b)	<b>18,496.15</b>	11,043.48
Profit before depreciation and amortisation - (Cash Profit)	<b>19,949.88</b>	23,929.06
Depreciation and Amortisation	<b>8,084.86</b>	8,439.55
Profit before Tax	<b>11,865.02</b>	15,489.51
Provision for Tax – Current	<b>377.00</b>	42.52
Provision for Tax – Deferred	<b>(259.93)</b>	3,814.45
Profit after Tax	<b>11,747.95</b>	11,632.54
Balance brought forward from last year	<b>14,570.27</b>	23,786.07
Prior period adjustments	<b>18.89</b>	64.29
Excess provision for tax for earlier years	<b>200.23</b>	75.52
Amount available for appropriation	<b>26,537.34</b>	35,558.42
<b>Appropriations</b>		
Transfer to General Reserve	<b>10,000</b>	1,163.25
Transfer to General Reserve as per Scheme of Arrangement	-	17,500.00
Proposed Dividend	<b>2,000.39</b>	2,000.39
Tax on Dividend	<b>324.51</b>	324.51
Balance carried to Balance Sheet	<b>14,212.44</b>	14,570.27

### PERFORMANCE HIGHLIGHTS

#### Soda Ash

The Global Soda Ash demand which was around 46-48 million tons in 2010 is estimated to be slightly more than 50+ million metric tons in 2011 against a capacity of about 57 Million MT.

We are seeing demand growth, despite the fact that the market is currently oversupplied specially from China. The world soda ash demand grew at an average annual rate of slightly more than 3%. China grew more than 7% and Rest of the world registered a growth of 1%. The demand for soda ash is forecast to grow about 3 to 4 percent per year over the next five years and this growth is expected to come from Latin America, India, China and Middle East countries due to higher GDP growth. Consumption of soda ash per person is expected to register healthy rise in the next few years with China leading the rankings with consumption from 10.85 kilograms in 2007 to an expected 12.00 kilograms in 2012. China is the largest Soda Ash player in the world, having a

capacity of 27-28 Million MT which is around 50% of the global capacity. As per IHS Chemical report of February 2012 China's operating rates were around 84% in 2011, reporting a production of 24 million tons and domestic consumption of 22 million tons. There is an extremely sharp increase in input costs for soda ash manufacturers in all regions. Consequently, supported by rising demand and cost pressures prompted soda ash manufacturers to raise the sales prices of soda ash in 2011.

The biggest threat to the global soda ash industry is the global economic outlook, which remains quite delicate. The state of the global economy, combined with the role that China will continue to play in the market, is key to the future health of the soda ash industry. If the economies continue to stagnate, the demand for soda ash could fall, and we could see prices weaken and capacities idled.

The slow industrial growth of the Indian economy was witnessed in Soda Ash also as demand growth was almost flat in 2011-12 (approximately 1-2 %). But despite low GDP growth figure of 6.9 per cent, India remains one of the fastest growing economies of the world as all major countries including the fast growing emerging economies are seeing a significant slowdown. It is expected that on the back of higher GDP growth projected and strong growth in Glass (Construction/Automobiles) and Detergents (FMCG penetration and growth) Soda Ash demand will continue to grow at least 4-5 per cent in the FY 12-13.

Total installed capacity in India was 3.1 Million MT. With an estimated production of about 2.6 Million MT in last financial year (2011-12) the capacity utilization was around 81%. The total size of the Indian soda ash market is about 2.7 Million MT.

Dumped import of Soda Ash from China PR, EU, Kenya, Iran, Pakistan, Turkey, USA and Ukraine has been a major concern for the Soda Ash Industry. Based on an application by the domestic producers of Soda Ash, the Director General of Anti-dumping & Allied Duties ("DGAD") had recommended the imposition of anti-dumping duty on imports of Soda Ash from the above Countries, which has been upheld by the Hon'ble High Court of Madras vide their order dated April 27, 2012. Now, the Ministry of Finance is expected to issue a notification imposing duty on imports of the Soda Ash from the above countries based on the final finding issued by the DGAD.

At present your Soda Ash plant has a capacity of 8.50 lacs MTPA. During the financial year 2011-12 your company has achieved highest production around 7.12 lacs MT. This year, the Company has also achieved highest domestic sales i.e. 6.02 lacs MT and total sales of Soda Ash is 6.67 lacs MT including exports.

#### Bi-Carbonate (BICARB)

During the year, the Company achieved production of Bi-Carbonate 23369 tons against 22378 tons in the previous year, which is higher by 4.43%. During the year the Company achieved sales of Bi-Carbonate 22939 tons against 22912 tons in the previous year. Sodium Bicarbonate sales expected to improve further with high demand season and lower imports.

#### Home Textiles

The Indian Textile Industry, 2<sup>nd</sup> largest in the world, after witnessing growth of around 10% in FY 2009-10 & 2010-11, shrank during the FY'2011-12 mainly due to weak global economy and extreme volatility in cotton prices. The Confederation of Indian Textile Industry (CITI) in its Q3, 2011-12 review of textile sector pointed out that "there was highest price volatility in cotton prices in the past 150 years followed by

a collapse in April, 2011, which had immediate repercussions in the domestic market. Cotton yarn production was down by 15% and fabric production was down by 19% in the April – October 2011 period over the previous year. Textile Mills faced with high priced cotton inventories could not pass through the prices into yarn and fabrics as the price decline came suddenly in the month of April'2011. This led to a slowdown in production and reduced utilization of capacity". Additionally, India Government's ad hoc policies with respect to export of cotton have also affected the sentiments of textiles industry and cotton growers. However, for the past 3-4 months the prices of cotton have stabilized and the outlook for the textile industry now looks positive

In the Textile Business of your company, the Made-ups (Home Textiles) Business has been growing significantly year on year and has done exceedingly well during the FY'2011-12 both in terms of volume growth and profitability compared to the previous year. However, the Yarn business has underperformed substantially which was largely due to unprecedented volatility in both cotton and yarn prices which affected the spinning industry all over the country as afore mentioned. This has adversely affected the overall profitability of textile business during FY'11-12

The Revenue of Home-Textiles division was at ₹ 530 Crores during the financial year 2011-12 against ₹ 276 Crores in 2010-11, thereby registering a significant growth of 92% over previous year. Due to its sustained marketing efforts, the company has successfully made deep in roads in export market and further secured large replenishment orders from the big Global Retailers in US and Europe like Macys, Bed Bath & Beyond, K-Mart, Springs, Revman and Belk etc. However, as aforesaid FY'2011-12 was an extremely challenging year for the entire Spinning Industry including yarn division of your company primarily due to extreme volatility in the cotton prices. The yarn industry got a doubly hit i.e. on one side, it was trapped with high cost inventory and on the other side the yarn prices crashed, thereby making most of the spinning units incur huge losses. Apart from the above said causes, frequent changes in the government policies as well as the grim power situation in Tamil Nadu had also affected the operations of yarn manufacturing industry including your company. However, the aggressive power trading by the Company resulted in substantial savings partially offsetting the aforesaid impact. Outlook for Spinning Industry now looks positive because the high cost inventory is out of the pipeline and with stable cotton prices and improved yarn price scenario, your directors expect a profitable period ahead.

#### **DIVIDEND**

Your Directors are pleased to recommend a dividend of ₹ 2.00 per Equity Share for the financial year ended March 31, 2012.

#### **FINANCE**

During the FY'2011-12, your company has successfully arranged Project Loans of ₹93.50 crore to part finance CAPEX of around ₹129.25 crore. Additionally, the company has also enhanced its working capital limits by ₹70 crore from ₹658 crore to ₹728 crore and further tied-up long term loans amounting to ₹130 crore to meet overall working capital requirements of the company.

During the year, interest rate went up significantly due to increase in Repo Rate by RBI by atleast five times and this coupled with huge volatility in Forex has resulted in a significant increase in finance cost compared to previous year.

Due to timely repayment of interest and principal payments to various banks including timely honouring of corporate guarantee obligations, CARE (Credit Analysis & Research Ltd) has

upgraded the rating for long term borrowing from CARE BBB- to CARE BBB.

During the financial year, your Company has transferred to investors' education and protection fund account (IEPF) a sum of ₹ 20.57 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 ₹ 0.95 lacs have been transferred to IEPF during the financial year, which is included in ₹ 20.57 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**

Grace Home Fashion, LLC, a subsidiary of the Company in USA has significantly grown its Home-Textiles Business during the FY'11-12. The Company is catering to some of the largest Home-Textile Retailers like Bed Bath Beyond and Babies R US. In addition, Grace Home Fashion is also doing online Home-Textile Business in USA through JC Penny and Kohls.com. The revenue of the company increased from ₹26.16 Crore in FY'10-11 to ₹74.98 Crore during FY'2011-12.

The soda ash production of GHCL Upsom, Romania, a step down subsidiary of the Company remains closed since Jan'2010 as the outstanding issues with gas supplier M/s Romgaz could not be resolved. Subsequently, during the current year GHCL Upsom has been put under administration on November 21, 2011. Your company is in dialogue with the Judicial Administrator to access the feasibility of putting together a viable re-organization plan. In order to make any viable re-organization plan, GHCL Upsom would require major investments as per the preliminary report received from Roland Berger, a Consultant engaged by the Company last year and also export incentives from the Romanian Government. In view of frequent changes in the Romanian Government, the Company could not initiate any dialogue last year. With the new Government now in place in Romania, the Management would initiate a dialogue with BCR Bank, Romgaz and Romanian Government to explore the possibility of revival of GHCL Upsom's Operations.





Rosebys Interiors India Limited (RIIL), a subsidiary engaged in the business of Home and Life Style Retailing, has significantly reduced its operations during the year in order to curtail the costs and losses. Keeping in view of long term strategy, the Board of Directors of GHCL in its meeting held on February 25, 2011 had given in-principal approval for sale of its investment held in RIIL. Accordingly, a merchant banking firm was engaged to identify a suitable buyer to meet its objective. But, due to slow down in overall retail industry and RIIL's operations, the merchant banker was unable to find a suitable buyer for RIIL's stake sale. RIIL is meeting its obligations to the bankers through support from GHCL as per the guarantee obligation of GHCL.

The operations of Colwell & Salmon USA, subsidiary company engaged in the IT outsourcing business remains dormant as the market is not conducive to recommence the operations. Additionally, two non operating subsidiaries registered in India namely Fabient Textiles Limited and Rosebys International Limited were closed down during the year by following the process of "Fast Track Exit Mode", u/s 560 of the Companies Act, 1956. Further, subsequent to the year end, GHCL Inc. (USA) has been dissolved in May 2012.

Ministry of Corporate Affairs, Government of India, vide its circular dated February 8, 2011, has exempted companies from attaching the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies along with the Annual Report of the Company required u/s 212 of the Companies Act, 1956. As required under the said circular, the Board of Directors of your Company at its meeting held on May 30, 2012 has given its consent for not attaching the Balance Sheet of its subsidiaries. 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 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. 2.38 (refer page no. 49 of Annual Report) and also under Statement u/s 212 of the Companies Act, 1956 (refer page no. 59 to page no. 61).

#### **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, 2012.

#### **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**

The equity shares of your Company are listed at BSE Limited (BSE), The National Stock Exchange of India Limited (NSE) and Ahmedabad Stock Exchange Limited (ASE). The annual listing fees for the year 2011-12 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.

#### **DIRECTORS**

Shri Anurag Dalmia, Shri S. H. Ruparell, Dr. B. C. Jain and Shri G. C. Srivastava directors retire by rotation and being eligible, offer themselves for re-appointment. The Board recommends their appointments at the ensuing Annual General Meeting. Mr. R. S. Jalan has been re-appointed as Managing Director for a period of five years with effect from June 7, 2012 subject to the approval of the shareholders.

During the year, Exim Bank had nominated Mr. R. M. V. Raman in place of Mr. R. W. Khanna as a Nominee Director of the Company with effect from April 30, 2011. Subsequent to the year end, Mr. Tej Malhotra, Sr. Executive Director (Operations) retired from the services of the Company at the close of office hours on May 4, 2012. Accordingly, Mr. Tej Malhotra ceased as a Director on the Board of the Company with effect from May 5, 2012. Your Directors wish to record their gratitude and appreciation for the contribution by Mr. R. W. Khanna and Mr. Tej Malhotra during their tenure as Directors 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 2012-13. Further, in line with the requirement of clause (k) of General Circular No. 15/2011 (52/5/CAB-2011) dated April 11, 2011, issued by the Ministry of Corporate Affairs, Cost Audit Branch, necessary particulars of Cost Auditors for the financial year 2010-11 are as under:

Name of Division of the Company	Particulars of Cost Auditors	Due date of filing of the Cost Audit Report for Financial Year 2010-11	Actual date of filing of the Cost Audit Report for Financial Year 2010-11
Soda Ash	M/s R. J. Goel & Co., Cost Auditors, (Membership No. 2171), Address - 31, Community Centre, Ashok Vihar, Delhi - 110052	September 30, 2011	September 30, 2011
Yarn	M/s L. S. Sathiamurthi & Co., Cost Auditors, (Membership No. 3128), Address - 17/6, Kumar Arcade Apartments, 4th Street, Nehru Nagar, Adyar, Chennai - 600020, Tamil Nadu	September 30, 2011	September 27, 2011
Home Textiles	M/s N. D. Birla & Co., Cost Auditors, (Membership No. 7907), Address - A-3, Nirant Society, Opp. Town Hall, Nr. Karnavati Hospital, Elisbridge, Ahmedabad - 380006, Gujarat	September 30, 2011	September 30, 2011

### **AUDITORS' REPORT**

The Auditors have qualified on certain matters and the same are clarified in notes on accounts no. 2.28 and 2.55 which are forming part of Balance Sheet as at March 31, 2012 and Statement of Profit and Loss 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, 2012 the applicable accounting standards read with requirements set out under Revised 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, 2012 and of the profits of the Company for the financial year ended March 31, 2012;
- 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, 2012 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, customers, suppliers, lenders, distributors and other stakeholders 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**

Date: May 30, 2012  
Place: New Delhi

**SANJAY DALMIA**  
Chairman