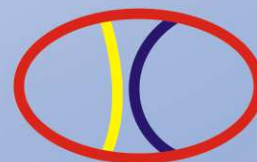


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Kiri Industries Limited



Kiri Industries Limited

## Corporate Information

### BOARD OF DIRECTORS

Mr. Pravin A. Kiri	<i>Chairman</i>
Mr. Manish P. Kiri	<i>Managing Director</i>
Mr. Shanker R. Patel	<i>Whole Time Director</i>
Mr. Ajay J. Patel	<i>Non-Executive Independent Director (up to 14.08.2012)</i>
Mr. Keyoor M. Bakshi	<i>Non-Executive Independent Director</i>
Ms. Harsha B. Bangari	<i>Nominee Director (Export Import Bank of India)</i>
Mr. V. Anish Babu	<i>Nominee Director (IFCI Limited) (w.e.f. 13.02.2012)</i>

### COMPANY SECRETARY

Suresh S. Gondalia

### AUDITORS

M/s V. D. Shukla & Co.  
Chartered Accountants, Ahmedabad.

### REGISTERED OFFICE

7th Floor, Hasubhai Chambers,  
Opp. Town Hall, Ellisbridge,  
Ahmedabad – 380 006  
[www.kiriindustries.com](http://www.kiriindustries.com)

### BANKERS

State Bank of India  
Bank of India  
Oriental Bank of Commerce  
Export Import Bank of India  
Standard Chartered Bank  
Punjab National Bank  
Indian Bank

### Appeal to Members

The Ministry of Corporate Affairs, Government of India (vide circular Nos. 17/2011 and 18/2011 dated 21st April, 2011 and 29th April, 2011 respectively) has undertaken “Green Initiative in Corporate Governance” by allowing paperless compliances by the Companies to service the documents to its shareholders through electronic mode. As your Company is committed to Green Initiative, members are requested to support this by registering/updating their e-mail addresses immediately.

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## Kiri Industries Limited

### Notice

**NOTICE** is hereby given that the **14th Annual General Meeting** of the Members of KIRI INDUSTRIES LIMITED will be held on Saturday, 29th September, 2012 at 11.30 a.m. at Hall No. S-3, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad- 380 015, to transact the following businesses:

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and Statement of Profit and Loss for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. Shanker R. Patel, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution as required under Section 224(1) of the Companies Act, 1956, for appointment of Auditors:

**"RESOLVED THAT** M/s. V.D. Shukla & Co., Chartered Accountants, Ahmedabad (Firm Registration Number 110240W) be and are hereby appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors of the Company."

By Order of the Board of Directors  
**For Kiri Industries Limited**

Place : Ahmedabad  
Date : 3rd September, 2012

**Suresh S. Gondalia**  
Company Secretary

#### NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 26th September, 2012 to Saturday, 29th September, 2012 (both days inclusive).
3. Members are requested to:
  - (i) Intimate immediately any change in their address to the Company's Registrar and Share Transfer Agents Cameo Corporate Services Limited, Subramanian Building No. 1, Club House Road, Chennai- 600 002.
  - (ii) Quote Folio No. in all correspondence and in case the shares are held in dematerialized form, quote DP ID and Client ID number.
4. Shareholders intending to require information about the accounts to be approved in the meeting are requested to inform the Company in writing atleast 7 working days in advance of the Annual General Meeting.
5. As a measure of economy, copies of Annual Report will not be distributed at the ensuing Annual General Meeting. Therefore, members are requested to bring their copy of Annual Report in the Meeting. Members/Proxies should bring the Attendance Slip attached herewith, duly filled in all aspects, for attending the Meeting.
6. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. The Securities and Exchange Board of India (SEBI) vide circular ref no. MRD/ DOP/ CIR-05/2007 dated 27th April, 2007 has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. 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 Registrars and Transfer Agents, Cameo Corporate Services Limited, Subramanian Building No. 1, Club House Road, Chennai- 600 002.
8. Members wishing to claim their previous unclaimed dividends are requested to correspond with the Company or Registrars and Transfer Agent. Members are requested to note that dividends not encashed or claimed within seven years from date of transfer to the Company's Unpaid Dividend Account, will be transferred to the Investor Education and Protection Fund as per Section 205A of the Companies Act, 1956.
9. Copy of the Annual Report has been uploaded on the website of the Company [www.kiriindustries.com](http://www.kiriindustries.com).

#### INFORMATION ABOUT DIRECTOR SEEKING REAPPOINTMENT

(As required under clause 49 of the Listing Agreement)

**Mr. Shanker Patel**, 62, is a Whole-time Director of the Company. He holds a degree in Science and Law from Gujarat University. Presently he is the State Nominee Director of Government of Gujarat in Vadodara Enviro Channel Limited, Member of the Executive Committee, Federation of Industries Association, Ahmedabad and Vatva Industries Association and Senior Vice-President of Gujarat Chamber of Commerce & Industry for the year 2012-13. Mr. Patel has more than 30 years of experience in Dyes and Chemicals business. He does not hold any shares in the Company and is not related to any Director of the Company. Details regarding his Directorship and Membership in other Public Companies are given below:

<b>Name of other Public Companies in which he holds Directorship</b>	Vadodara Enviro Channel Limited
<b>Name of other Public Companies in which he holds Membership of Committee</b>	NIL



## Kiri Industries Limited

### Directors' Report

To  
The Members,  
Kiri Industries Limited

Your Directors have pleasure in presenting 14th Annual Report together with Audited Accounts of the Company for the financial year ended on 31st March, 2012.

#### REVIEW OF STANDALONE PERFORMANCE:

	(Rs. In Lacs)	
Particulars	2011-12	2010-11
Net Sales and Other income	53704.08	57658.26
Profit Before Finance Cost, Depreciation, Tax and Prior period adjustments	8735.22	11396.37
Less : Finance cost	5238.86	4389.28
Depreciation	3025.62	1861.55
Prior Period Adjustments	21.54	16.25
Profit before taxation and Extra ordinary Items	449.20	5129.29
Less : Extra Ordinary Items	2184.12	1283.88
<b>(Loss)/Profit Before Taxation</b>	<b>(1734.92)</b>	<b>3845.41</b>
Less : Provision for Taxation	301.21	770.16
Deferred Tax	322.81	539.88
Add : MAT Credit Entitlement	0.00	(769.65)
<b>Net (Loss)/ Profit After Tax</b>	<b>(2358.94)</b>	<b>3305.02</b>
Add : Surplus Brought Forward	9463.27	6654.78
<b>Profit Available for Appropriation</b>	<b>7104.33</b>	<b>9959.80</b>
<b>Appropriation:</b>		
1. Dividend on Equity Shares and tax thereon	0.00	331.23
2. Transferred to General Reserve	0.00	165.30
3. Debenture Redemption Reserve	800.00	0.00
<b>Balance Carried to Balance Sheet</b>	<b>6304.33</b>	<b>9463.27</b>

During the year under review, the Company has recorded a total income of Rs. 53704.08 Lacs as against Rs. 57658.26 Lacs; a decrease of 6.86%; the performance was impacted as the worldwide economy went through turmoil. Across the world, on account of economic crisis in various countries, demand has gone sluggish and hence we could see under utilization of our dyes production capacities making the same as loss making units. Pile up of inventories on lack of demand has also added to the wounds of the colours business. Profit before Finance Cost, Depreciation, Tax and Prior period adjustments decreased from Rs. 11396.37 Lacs to Rs. 8735.22 Lacs in the reporting year, a decline by 23.35% as compared to the previous financial year. The sharp depreciation of Rupee as against Dollar in FY 2011-12 had added to the adverse impact of the company's performance and for the first time in the company's history it reported a Net Loss. Out of the total Loss for the year 2011-12 of Rs. 2358.94 Lacs as against a Net Profit of Rs. 3305.02 Lacs in the preceding financial year 2010-11, Rs. 2184.12 Lacs is on account of forex losses.





**Directors' Report (Contd...)****REVIEW OF CONSOLIDATED PERFORMANCE:**

	<b>(Rs. In Lacs)</b>	
<b>Particulars</b>	<b>2011-12</b>	<b>2010-11</b>
<b>Revenue</b>	<b>410883.51</b>	<b>368182.11</b>
Cost of Sales	(306568.00)	(273972.70)
<b>Gross Profit</b>	<b>104315.51</b>	<b>94209.41</b>
Expenditure	(99165.84)	(102878.86)
Other Income	11442.75	7148.10
<b>Profit/(Loss) from Operating activities</b>	<b>16592.42</b>	<b>(1521.35)</b>
Finance Cost	(21161.58)	(11079.70)
<b>Loss before taxation</b>	<b>(4569.16)</b>	<b>(12601.05)</b>
Income tax (expenses)/Credit	(2299.86)	1360.59
<b>Loss for the year</b>	<b>(6869.02)</b>	<b>(11240.46)</b>
<b>Other Comprehensive (Loss)/Income</b>	<b>(388.31)</b>	<b>2424.78</b>
<b>Total Comprehensive (Loss)</b>	<b>(7257.33)</b>	<b>(8815.68)</b>

During the financial year under review, the consolidated revenue increased by 11.59% to Rs. 410883.51 Lacs from Rs. 368182.11 Lacs on account of sustained efforts of the Management. The Cost of sales increased by 11.90% as compared to the previous financial year from Rs. 273972.70 Lacs to Rs. 306568.00 Lacs. The gross profit of the Company increased from Rs. 94209.41 Lacs to Rs. 104315.51 Lacs, showing an increase by 10.73% as compared to the previous financial year. The finance cost increased by 91% from Rs. 11079.70 Lacs to Rs. 21161.58 Lacs, mainly on account of increased borrowings. However, the total comprehensive loss for the year has been reduced by 17.68% to Rs. 7257.33 Lacs from Rs. 8815.68 Lacs that of previous financial year.

**DIVIDEND:**

In view of losses incurred during the financial year 2011-12, your Directors do not recommend any Dividend for the year under review.

**NON CONVERTIBLE DEBENTURES:**

During the year under review, your Company has issued 400 Secured Redeemable Non Convertible Debentures (NCDs) of Rs. 10.00 Lacs each, aggregating to Rs. 4000.00 Lacs. The NCDs carry coupon rate of 10.75% p. a. and redemption premium of 2% is payable on redemption of NCDs.

**SUBSIDIARIES AND CONSOLIDATED FINANCIAL STATEMENTS:**

As per General Circular No: 2/2011 dated 8th February, 2011 issued by the Ministry of Corporate Affairs, Government of India, the Company has not attached the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies with the Balance Sheet of the Company. The Company has prepared Consolidated Financial Statements and its subsidiaries in accordance with the International Financial Reporting Standards (IFRS). The same has been attached with the Annual Report of the Company. The summary of financial information of each of the subsidiary companies is attached herewith and forms part of the Annual Report.

The Company will provide the annual accounts of its subsidiary companies and the related detailed information on the specific request made by any shareholder(s). The said annual accounts are open for inspection at the Registered Office of the Company during the business hours on all working days, except Sunday and public holidays.

**LISTING:**

The Equity Shares of your Company are listed and actively traded on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). The Company has paid annual listing fees to the both stock exchanges for the year 2012-2013. The Secured Redeemable Non Convertible Debentures are listed on the Bombay Stock Exchange Limited.



Kiri Industries Limited

## Directors' Report (Contd...)

### **DIRECTORS:**

Mr. Shanker R. Patel, Director of the Company retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment. A brief profile of Mr. Patel as required under clause 49 of the Listing Agreement is given as Annexure to the Notice.

Mr. Yamal A. Vyas had resigned as a Director w.e.f 15th October, 2011 and Mr. Ajay Patel had resigned as a Director w.e.f. 14th August, 2012. The Board of Directors places on record their sincere appreciation for the valuable services rendered by them during their tenure.

The Board of Directors of the Company has, at its meeting held on 13th February, 2012, appointed Mr. V. Anish Babu as a Nominee Director of IFCI Limited.

### **AUDITORS AND AUDITORS' OBSERVATION IN AUDIT REPORT:**

M/s. V. D. Shukla & Co., Chartered Accountants, Ahmedabad, Statutory Auditors of the Company, retires at the ensuing Annual General Meeting and are eligible for re-appointment. They have issued a certificate stating that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

In respect of the auditors observation regarding default in repayment of principal and interest to banks and financial institutions, it is hereby clarified that the said default in payment was temporary in nature due to mismatches in cash flow on account of delay in realization of receivables from the customers and global slowdown in dyes and chemicals industries.

In respect of auditors observation regarding irregularity in payment of statutory dues, it is hereby clarified that the said delay was due to mismatches in cash flow and tight liquidity position of the Company.

### **COST AUDITORS:**

As per notification F. No. 52/26/CAB-2010, dated January 24, 2012, issued by the Ministry of Corporate Affairs, Government of India, the Company is required to appoint a Cost Auditor for audit of the cost accounting records for the financial year 2012-13. Pursuant to the provisions of Section 233B read with Section 224(1B) of Companies Act, 1956, M/s. V. H. Savaliya & Associates had given their consent to act as Cost Auditors of the Company and accordingly, the Board of Directors at their meeting held on May 14, 2012, appointed them as Cost Auditors of the Company for the Financial Year 2012-13.

The Central Government has approved the appointment of cost auditors for conducting Cost Audit for the financial year 2012-13.

### **PUBLIC DEPOSITS:**

During the year under review, your Company has not accepted any deposits as per the provisions of section 58A of the Companies Act, 1956.

### **DIRECTORS' RESPONSIBILITY STATEMENT:**

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

1. That in the preparation of the annual accounts for the financial year ended 31st March, 2012, all applicable accounting standards have been followed and no material departure have been made from the same;
2. That the Directors have selected appropriate accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2011-12 and of the loss of the company for the year under review;
3. That the Directors have taken proper and sufficient care to the best of their knowledge and ability, 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;
4. That the Directors have prepared the annual accounts for the financial year ended 31st March, 2012 on a 'going concern' basis.

### **EMPLOYEE RELATIONS:**

The relations with the employees have been cordial throughout the year. Your Directors place on record their sincere appreciation in respect of the services rendered by the employees of the Company at all levels.

### **PARTICULARS OF EMPLOYEES:**

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, is required to be set out in Directors' Report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the report is being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining the particulars may obtain it by writing to the Company Secretary of the Company.



**Directors' Report (Contd...)****CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNING AND OUTGO:**

Additional information on conservation of energy, technology absorption, foreign exchange earning & outgo as required to be disclosed in term of Section 217(1)(e) of the Companies Act, 1956, read together with the Companies (Disclosures of Particulars in the Reports of Board of Directors) Rules, 1988, is given as an annexure to this report.

**CORPORATE GOVERNANCE & MANAGEMENT DISCUSSION AND ANALYSIS:**

A separate report on the Corporate Governance and Management Discussion and Analysis Report, along with the Certificate from the Statutory Auditors of the Company in compliance with clause 49 with the Listing Agreement is annexed herewith and forms part of this Annual Report.

**QUALIFYING PERSONS FOR INTER SE TRANSFER OF SHARES:**

As per the information provided by the promoters and as required under regulation 10(1)(a) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 persons constituting "qualifying persons" as defined in the said regulations is given as under:

(1) Mr. Pravin Kiri, (2) Mr. Manish Kiri, (3) Mrs. Aruna Kiri, (4) Mrs. Anupama Kiri, (5) Ms. Amisha Kiri, (6) Master Hemil Kiri, (7) Synthesis International Limited, (8) Kiri Infrastructure Private Limited, (9) DyStar Global Holdings (Singapore) Pte. Ltd. (formerly known as Kiri Holding Singapore Private Limited), (10) Kiri International (Mauritius) Private Limited, (11) Lonsen Kiri Chemical Industries Limited, (12) Kiri Investment and Trading Singapore Private Limited, (13) Kiri Peroxide Limited, (14) S.M.S. Chemicals Co. Limited, (15) APK Advisory Services Private Limited, (16) Chemhub Exim Private Limited, (17) Chemhub Tradelink Private Limited.

**ACKNOWLEDGEMENT:**

Your Directors wish to place on record their sincere appreciation for the support received from the government, bankers and financial institutions, customers, suppliers, business associates and shareholders and look forward for their continues support in the future. Your Directors would also like to place on record, sincere appreciation for significant contributions made by the employees through their dedication and commitment towards the Company.

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

Place : Ahmedabad

Date : 3rd September, 2012

**Pravin A. Kiri**

*Chairman*

**Annexure to the Directors' Report**

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:

**A. CONSERVATION OF ENERGY:**

Sr. No.	Particulars	Particulars
a.	Energy Conservation measures taken	The Company has started using gas as compared to other sources of energy for cost reduction and pollution free operations. The Company has taken all necessary measures for energy conservation so as to maintain the operating cost to the minimum. The Company has steamed based co-generation of 3.5 MW power plant, which has resulted in substantial saving in power cost.
b.	Additional investments and proposals, if any being implemented for reduction of consumption of energy	
c.	Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods	
d.	Total Energy Consumption and energy consumption per units of production	As per Form A Attached.

**B. TECHNOLOGY ABSORPTION: As per Form B Attached.**



Kiri Industries Limited

## Annexure to the Directors' Report

### C. FOREIGN EXCHANGE EARNING AND OUTGO:

(Rs. In Lacs)

Particulars	2011-12	2010-11
Total Foreign Exchange outgo	26.42	253.65
Total Foreign Exchange Earning	15614.83	23978.79

#### FORM A

##### Particulars with respect to Conservation of Energy

Power and fuel consumption	2011-12	2010-11
<b>1. Electricity</b>		
Units	15545069	15795844
Total Amount (Rs. in Lacs)	1287.01	1076.97
Rate per Unit (Rs.)	8.28	6.82
<b>2. Diesel</b>		
Units	89200	87000
Total Amount (Rs. in Lacs)	40.52	36.18
Rate per Unit (Rs.)	45.42	41.59
<b>3. Furnace Oil</b>		
Units	405880	601840
Total Amount (Rs. in Lacs)	168.04	161.80
Rate per Unit (Rs.)	41.40	26.88
<b>4. Gas</b>		
Quantity (SCM)	2509918	3690391
Total Amount (Rs. in Lacs)	850.88	853.22
Rate per Unit (Rs./SCM)	33.90	23.12

#### FORM- B

##### TECHNOLOGY ABSORPTION

1. Specific areas in which R & D was carried out by the Company	The Company is fully equipped with Research and Development facilities and is constantly engaged in developing products as per specification of the customers. The Company is updating manufacturing process of the existing products leading to reduction in process time and cost of production and also in developing new products.
2. Benefits derived as a result of the above (R & D)	
3. Future Plan of Action	The Company will further carry out research and development of other types of Dyes and Dyes Intermediates, to reduce cost of Production, to develop environment friendly and non – hazardous manufacturing process.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION: Nil

For and on behalf of the Board of Directors

Place : Ahmedabad  
Date : 3rd September, 2012

Pravin A. Kiri  
Chairman







## Management Discussion and Analysis Report

### 1. Industry Structure and Development:

The Chemical Industry is one of the largest and oldest industries. It is crucial for the economic development of any country, which provides products and enabling technical solutions to all sectors of the economy. Global chemical industry has been growing by 3.6% and is currently valued at \$3.4 trillion. There has been notable transition in the global arena during the last 2-3 decades in chemical industries with a shifting in production from Europe and USA to Asia specially in China, India, Taiwan, Thailand and Indonesia. India and China are now preferred sources for supply of chemicals and related products to the global market.

The Indian Chemical Industry is growing annually by 3% with global chemical industry, hence India is an emerging focus destination for Chemical Industry. The global chemical companies want to join hands with Indian Business Community. The industry with a large domestic demand potential as compared to other countries, contributes more than 3% of the overall GDP and it helps the overall economic growth and net foreign exchange earnings of the Country. If Indian chemical industries effectively leverage its strengths and manage challenges, adopt their strategies with advanced technology, enhance research capabilities, innovate through backward and forward linkages and utilize production capacities to ensure reduction in dependence on imports, then it can grow at 11% to reach size of \$224 billion by 2017.

The Company is a leading global supplier of reactive dyes, dyes Intermediates in various forms like standardized spray dried/tray dried, powder/granular. The Company is also the leading supplier of basic chemicals in India and its product caters to the various industries.

### 2. Outlook and Opportunities:

The global economic slowdown has forced major players of other markets to divert their supply to India. As a result, the domestic chemical sector is witnessing the double impact of sluggish local demand as well as increased competition from global and domestic players. The Contribution of chemical industry in GDP has declined since past two years due to country's inability to build competitiveness required to meet global challenges, to develop domestic market and through building latest in house research and development and low cost of production. India has emerged as a global supplier of dyestuff, intermediates and other chemicals and the industry is growing with steady demand from domestic and export markets. However with the intention to take a leap forward, the industry has to address the issues concerning clean environment and simultaneously meet competitive pressures from global markets specifically from its nearest neighbour, China.

The Company is a leading player in chemicals industry. By virtue of the large scale facilities and fully integrated operations from manufacturing of basic chemicals, dye intermediaries and dyes, the Company derives benefits of economies of scales and quality control. This along with the Company's wide product range of colours makes it a preferred partner for sourcing of dyes.

Being vertically integrated from basic chemicals to dyes has also helped the Company to de-risk variations in input cost thereby improving margins over a period of time. The Company believes that its high level of modernization, trained work force and managerial expertise results in a consistently high level of productivity.

Global buyers today are increasingly looking to consolidating their sourcing strategy. This would mean sourcing from fewer countries and fewer vendors. The Company, therefore, is a preferred vendor because of its size, integrated operations and modern facilities.

### 3. Threats, Risks and Concerns:

The Company is a leading manufacturer and suppliers of Dyes, Intermediates and Basic chemicals. The following major factors may hamper growth of the Company:

- (a) Volatility in raw material prices especially crude oil and transportation cost can adversely affect the business operations and can thin out profitability of the Company.
- (b) The increased interest cost, hence interest servicing could affect the profitability of the Company.
- (c) The Company is doing business with various countries, therefore, our business operations and growth is dependent upon the political, climatic, economic, regulatory and social environment of such countries.
- (d) The Company is a leading exporter therefore; the volatility in foreign exchange rates may affect our profitability.
- (e) Any regulatory change in the government policies and changes in duties and tax, increase in interest rate due to inflation pressure may affect our business operations, financial performance and future growth.
- (f) Irregular supply of the raw materials can also affect the business of the Company.



## Management Discussion and Analysis Report (Contd...)

### 4. Internal control systems and its adequacy:

The Company has implemented internal control and audit system so as to achieve operational efficiency, optimum utilization of resources and to safeguard and protect the assets of the Company and remain protected against loss from unauthorized use. The Company has appointed independent internal auditors to assist the management for the effective discharge of its responsibilities by furnishing it with findings, observations and pertinent comments, adequacy of internal controls, analysis and recommendations concerning the activities covered for audit and reviewed by it during the year. Findings of internal audit reports and effectiveness of internal control measures is reviewed by the top management and Audit Committee of the Company. The Committee also meets the Statutory Auditors of the Company to ascertain, their views on strengthening the internal control systems in the Company.

### 5. Performance of the Company:

#### A. Standalone financial Performance:

On account of global slow down, depreciation in rupee and high finance cost, performance of the Company has been affected this year.

##### i) Net Sales and Other Income:

During the financial year, the net sales and other income of the Company have gone down by 6.86% from Rs. 57658.26 lacs to Rs. 53704.08 Lacs, which is due to decrease in export turnover on account of global recession in dyes and chemicals industries.

##### ii) Expenditure:

The total expenditure increased by 1.38% from Rs. 52528.97 Lacs to Rs. 53254.88 Lacs for the financial year 2011-12. The increase in total expenditure is mainly attributable to the increase in employee cost, manufacturing & administrative expenses, financial cost and depreciation. The commissioning of new plants has increased depreciation of the current year.

##### iii) Employee benefit expenses:

During the year under review, employee benefit expenses increased by 58.73% from Rs. 1350.08 Lacs to Rs. 2142.92 Lacs on account of recruitment of new employees for expansion project of the Company.

##### iv) Finance Cost:

During the year under review, finance cost increased by 19.36% as compared to the previous financial year. Increase in finance cost from Rs. 4389.28 Lacs to Rs. 5238.86 Lacs was due to increase in term loans for expansion project and increase in interest rate by the banks.

##### v) Manufacturing Expenses:

During the financial year, manufacturing expenses increased by 27.32% from Rs. 3319.18 Lacs to Rs. 4225.87 Lacs of previous financial year, due to increase in power & Fuel cost and repair and maintenance cost as compared to that of previous financial year.

##### vi) Profit before Tax and Extraordinary items:

The Profit before tax and extraordinary items has sharply decreased by 91.24% from Rs. 5129.29 Lacs to Rs. 449.20 Lacs mainly due to increase in employee cost, manufacturing & administrative expenses, financial cost and depreciation and decrease in turnover of the Company as compared to the previous financial year.

##### vii) Loss/Profit after tax:

During the year under review, the Company has incurred a net loss of Rs. 2358.94 Lacs as compared to net profit of Rs. 3305.02 Lacs that of previous financial year, mainly due to derivatives and forward contract loss of Rs. 2184.12 Lacs, increase in finance cost, depreciation, employee cost, manufacturing & administrative cost and decrease in turnover as compared to the previous financial year.

##### viii) Non Current Liabilities:

During the financial year, the Non current liabilities has increased by 6.53% from Rs. 17536.08 Lacs to Rs. 18680.88 Lacs on account of issuance of non convertible redeemable debenture and increase in deferred tax liabilities as compared to the previous financial year.