

18th Annual Report 2011-12

BOARD OF DIRECTORS

Mr. Kalpesh Patel (Chairman & Managing Director)
 Mr. Kaushik Bhatt
 Mr. Navin Patel
 Mr. Tushar Patel
 Mr. K. K. Rai (ceased w.e.f. 21.12.2011)
 Mr. Mahendra R. Patel (Executive Director)
 Mr. Venugopal Shastri (ceased w.e.f. 15.07.2012)

AUDITORS

Talati & Talati, Chartered Accountants, Ahmedabad

BANKERS

Allahabad Bank
 Andhra Bank
 Axis Bank Limited
 Exim Bank
 ICICI Bank Limited
 Indian Bank
 Punjab National Bank
 PNB (International) Limited
 State Bank of India
 Syndicate Bank
 The Karur Vysya Bank Limited
 Union Bank of India

REGISTERED OFFICE & WORKS

Village Asoj, Vadodara-Halol Express Way
 Tal. Waghodia, Dist. Vadodara - 391 510
 Gujarat, India
 Email: investor@kemrock.com
 Web: www.kemrock.com

REGISTRAR & SHARE TRANSFER AGENT

Link Intime India Pvt. Limited
 B-102 & 103, Shangrila Complex, First Floor
 Near Radhakrishna Char Rasta, Akota
 Vadodara – 390 020, Gujarat, India
 Tel. : (0265) 2356573 / 2356794
 Fax: (0265) 2356791
 Email: vadodara@linkintime.co.in

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NOTICE

NOTICE is hereby given that the **EIGHTEENTH ANNUAL GENERAL MEETING** of **KEMROCK INDUSTRIES AND EXPORTS LIMITED** will be held at the registered office of the Company at village Asoj, Vadodara - Halol Express Way, Tal. Waghodia, Dist. Vadodara - 391 510, Gujarat State, on Monday, the **31st** day of **December, 2012** at **11:00 a.m.**, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the audited Balance Sheet as at 30th June, 2012 and Statement of Profit and Loss for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Navin Patel, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. Talati & Talati, Chartered Accountants, the retiring Auditors as Auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By order of Board of Directors of
Kemrock Industries and Exports Limited

Date: 26th November, 2012
Reg. Off.: Vill. Asoj
Vadodara-Halol Express Way
Tal. Waghodia, Dist. Vadodara-391 510

N. K. Jani
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing a proxy, in order to be valid and effective, must be deposited with the Company at its registered office not less than 48 hours before the time fixed for holding the meeting. The proxy form is attached to Annual Report.
3. Members/Proxies attending meeting should bring the Attendance Slip duly completed and may hand over the same at the entrance to the meeting hall.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 28th December, 2012 to Monday, the 31st December, 2012 (both days inclusive).
5. Members holding shares in physical form are requested to notify immediately any change in their addresses with PIN Code to the Company's Share Transfer Agents, viz., Link Intime India Pvt. Ltd.; and in case of Members holding shares in electronic form, this information should be passed on directly to their respective Depository Participants and not to the Company.
6. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Meeting.
7. Details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Director seeking re-appointment at the Eighteenth Annual General Meeting is appended vide Annexure-I, to this notice.
8. Members are requested to bring their copies of Annual Report at the Meeting. No copies will be provided at the Meeting as a measure of economy.
9. Queries on accounts and operations of the Company, if any, may please be sent to the Company fifteen days in advance of the Meeting so that the information may be made readily available at the Meeting.
10. Members can avail of the facility of Nomination in respect of shares held by them in physical form pursuant to the provision of section 109A of the Companies Act, 1956. Members desiring to avail of this facility may send their Nomination in the prescribed Form No. 2B duly filled in to the Registrar and Transfer Agent viz., Link Intime India Pvt. Ltd. The Nomination Form 2B can be obtained from the Registrar and Transfer Agent or the Secretarial Department of the Company at its Registered Office.
11. Members holding shares under multiple folios in the identical order of names are requested to consolidate their holdings into one folio.

Annexure-I

Information pursuant to Clause 49.IV(G)(i) of the Listing Agreement pertaining to Director seeking re-appointment at the Annual General Meeting:

Name of Director	Mr. Navin Patel
Age	58 yrs
Qualification	Master in Mathematics & Computer Science
Expertise	Business Advisory - Over 27 years of experience
Name of the Companies in which also holds directorship	None
Name of the other public companies in the committees of which also holds membership / chairmanship	None
Number of Shares held in the Company as on June 30, 2012	None

DIRECTORS' REPORT

To,
The Members,

The Directors have pleasure in presenting the Eighteenth Annual Report, together with the Audited Statement of Accounts for the financial year ended on 30th June, 2012.

Standalone Financial Performance

The standalone financial performance of the Company for the year 2011-2012 as compared to the previous year is briefly highlighted hereunder.

(Rs. in Crore)

Particulars	2011-2012 (01.07.2011 to 30.06.2012)	2010-2011 (01.07.2010 to 30.06.2011)
Gross Turnover	932.36	927.50
Total Income	1014.72	905.82
Profit Before Interest, Depreciation and Tax	269.21	252.62
Interest and Financial Expenses	162.72	110.41
Depreciation	45.56	42.12
Profit Before Tax	60.93	100.09
Net Profit after Tax	24.20	75.46
Add: Balance brought forward from last year	182.69	118.80
Balance available, which the Board has appropriated as under: (A)	206.89	194.26
i) Dividend on Equity Shares	0	3.49
ii) Corporate Tax on Dividend	0	0.58
iii) Transfer to General Reserve	0	7.50
(B)	0	11.57
Balance Carried to Balance Sheet (A-B)	206.89	182.69

Operations

The Company has gone aggressively for capex in the last 3-4 years. One of the major projects which is in the nature of R&D and having strategically importance to the country i.e. Carbon Fibre could not be established in the anticipated scheduled time. Similarly, for our other projects like Wind Mill and Transportation – the certifications/ qualifications / approvals consumed lot of time resulting into slow revenue growth.

The major initiatives along with the expansion which have been taken by Kemrock are of speciality products and segments i.e. to manufacture non-standard products. Most of the products are of the nature whereby the certifications, qualifications and approvals required. It takes lot of time and exercise to achieve. We at Kemrock took care of these issues considering the timing wherein normally the things start moving, but due to the global conditions, the major customers who are being targeted on long term strategic partnership also went slowly on these process resulting cascading effects on cash flow. As the qualifications took more time than anticipated; this resulted into delay in production and subsequent supplies.

Similarly, most of the products are used in the projects involving sectors like Power, Infrastructure, Onshore, Refineries, and Petrochemical Complexes etc. Our major supplies in the exports are with contracting firms who does large size jobs to these sectors and they have been impacted by global economic meltdown resulting into margins squeeze and delay in realization of export proceeds. This also resulted into stress on working capital thereby utilizing the full working capital limits and additional interest burden on enhanced working capital. The increase in the rate of interest has also impacted the overall cost of borrowing.

The input cost has also gone up substantially on account of Rupee depreciation. The percentage of Raw Material cost to Sales which was around 55% in the past has gone up to around 62%.

The depreciation amount has also increased, resulting into lower PBT.

Restructuring Scheme

Faced with a significant liquidity crunch, your Company had submitted a restructuring scheme to Lead Bank; Allahabad Bank with the support of consortium member Banks to seek a comprehensive financial restructuring package to enable it to correct its working capital position and to re-schedule its term debts in line with potential earnings.

The scheme was approved for restructuring of various credit facilities by the Lead Bank, Allahabad Bank vide its approval dated 24.07.2012 based on the viability study instituted by it. The other member Banks under the consortium have also approved the Restructuring Scheme on the lines of Allahabad Bank's appraisal except Axis Bank Limited. The effect of said restructuring shall be accounted for in the current year.

Change in Capital Structure

During the year under report, the Company, on 20th December, 2011, raised US\$ 30 million (Rs. 154.18 crore) through issue of 2,887,800 Global Depositary Receipts (GDRs), each representing one equity share of Rs. 10 each, at an issue price of US\$ 10.389 per GDR. Pursuant to GDRs issue, the Company issued and allotted 2,887,800 equity shares of Rs. 10 each at a price of Rs. 533.89 per share (including a premium of Rs. 523.89 per share).

Post issue of Global Depositary Receipts as aforesaid of 2,887,800 equity shares during the year under report, the paid up share capital of the Company increased from Rs. 17,44,21,980 to Rs. 20,32,99,980 divided into 2,03,29,998 equity shares of Rs. 10/- each.

Issue of FCCBs

During the year under report, the Company, on 17th April, 2012, has issued and allotted US\$ 100,000,000 5.5% Foreign Currency convertible Bonds due 2017, of the US\$ 1000 each aggregating to US\$ 100 million convertible into equity shares having par value of Rs. 10/- each of the Company at the option of the investors at an initial conversion price Rs. 529.04 per share with a fixed rate of exchange on conversion of Rs. 50.60 to U.S.\$1.00.

These FCCBs are listed on Luxembourg Stock Exchange.

Listing of Shares

All the 2,03,29,998 equity shares (of Rs.10/- each) of your Company, as at the date of this report, are listed on the Bombay Stock Exchange Limited, Mumbai and National Stock Exchange of India Limited, Mumbai. The Company has paid Listing Fees to both the Stock Exchanges for the period from 1st April, 2012 to 31st March, 2013.

The Global Depositary Receipts issued by the Company in previous year as well as in the year under report continues to be listed on the Luxembourg Stock Exchange, Luxembourg and the company has paid its Listing fees

Board of Directors

During the year under consideration, Mr. K. K. Rai resigned as a Director of the Company *w.e.f.*, 21st December, 2011.

Mr. Venugopal Shastri resigned as a Director of the Company *w.e.f.*, 15th July, 2012.

The Board places on record its sincere appreciation for the valuable contribution made by Mr. K. K. Rai and Mr. Venugopal Shastri, during their tenure as Directors of the Company.

Mr. Navin Patel, the Non- Executive Director of the Company, will retire by rotation at the ensuing Annual General Meeting, and being eligible offer himself for re-appointment.

As per the requirement of Clause 49 of the Listing Agreement, brief profile of Mr. Navin Patel is given in the Annexure - I appended to the Notice convening the Annual General Meeting.

Directors' Responsibility Statement

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

- in the preparation of the Annual Accounts for the year 2011-12, the applicable Accounting Standards have been followed by the Company;
- the Directors have selected such 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 as at 30th June, 2012 and of the Profit of the Company for the year ended on that date;
- the Directors have taken proper and sufficient care 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 Directors have prepared the annual accounts of the Company on a 'going concern' basis.

Wholly Owned & Overseas subsidiary and Joint Venture Companies**a) Wholly Owned domestic Subsidiary Companies**

The Company has Eight wholly owned Indian subsidiaries viz., Kemrock Renewable Energy Limited (in renewable energy); Kemrock Hi-Performance Composites Limited (in mass transportation); Kemrock Infratech Limited (in EPC); Kemrock Advanced Composites Limited (in windmill blades); Kemrock Advance Reinforcements Limited (in carbon fibre); Kemrock Filament Windings Limited (in pipes); and Kemrock Speciality Polymers Limited (in resins). These subsidiaries are yet to commence their business.

During the year under report, the company has acquired further 50% equity shares in Kemrock Aerospace India Private Limited. The 50:50 Joint Venture between "Kemrock Industries and Exports Limited" and "SAERTEX Beteiligungsgesellschaft mbH", Germany, set up under the name of "SAERTEX-KEMROCK India Pvt. Ltd." (entity) has been discontinued *w.e.f.*, 28th December, 2011, with the mutual agreement of both the partners, in view of the change in business plan of the foreign JV partner. The said entity, now being a wholly owned subsidiary, has been renamed as "**Kemrock Aerospace India Pvt. Ltd.**". This Company shall continue to forge ahead with its plan to manufacture materials and components for aeronautical industry.

b) Wholly Owned Overseas Subsidiary Companies

The Company has two wholly owned overseas subsidiaries viz., Kemrock UK Limited, in UK and Kemrock International FZE, in DAFZA, Dubai. These subsidiaries are engaged in the business of international marketing in the fields of composite products and its parts and components including related materials like glass fiber, technical fabric, resins, polymers and chemicals.

c) Overseas Subsidiary Company

The Company continues to hold 80% stake in Top Glass S. p. A., Italy, which is one of the chief and highly qualified producers of Pultruded Composite Profiles, situated 20 kms. north east of Milano, Italy.

d) Joint Venture Company

- During the report under review, the Company continued to have interest into its joint venture company, viz., Georgia-Pacific Kemrock International Private Limited, in which your Company holds 49% equity shares and M/s. GP Chemicals International Holding S.A.R.L. holds 51% equity shares.
- The 50:50 joint venture Company viz., S. K. Polymers, FZCO, of the Company was closed *w.e.f.*, 22nd April, 2012, it being non-viable to carry on its business.

As required by Accounting Standard-AS 21 on Consolidated Financial Statements, the audited Consolidated Financial Statements of the Company and its Subsidiaries are attached.

In accordance with the **General Circular No: 2/2011** issued by Government of India, Ministry of Corporate Affairs, dated 8th February, 2011, the Balance Sheet, Statement of Profit & Loss and other documents of the Subsidiary companies are not being attached with the Balance Sheet of the Company.

The Annual Accounts of the subsidiary companies and the related detailed information shall be made available to shareholders of the holding and subsidiary companies seeking such information at any point. The Annual Accounts of the subsidiary companies shall be kept for inspection by any shareholders at registered office of the holding company and of the subsidiary companies concerned. A Statement containing prescribed particulars of the Company's subsidiaries are given in Annexure- II appended to this report.

Corporate Governance & Management Discussion & Analysis

The Corporate Governance Report, pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, is separately given under the head titled as "Corporate Governance Report", which forms part of this Annual Report. A certificate of the company secretary of the Company regarding compliance with the Corporate Governance requirements as stipulated in Clause 49 of the Listing Agreement is annexed to this Report as Annexure-B forming part of the report.

The Management Discussion and Analysis forming part of this Report is separately given under the head titled as "Management Discussion and Analysis".

Conservation of Energy, Technology Absorption & Foreign Exchange Earnings and Outgo

The particulars required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, are set out in Annexure-A to this report.

Particulars of Employees

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

Health, Safety and Environmental (HSE)

Company had focused on continued training and awareness regarding Health, Safety & Environmental improvements for entire cross section of employees with emphasis on shop floor employees. This resulted in avoiding any major unsafe incident and also reportable fire throughout the year. Company continues to have mutual aid arrangement with neighboring industries and our fire protection network had helped to reduce damage substantially during major unsafe incidents in nearby some of the industries. Company has in totality satisfied all specified statutory compliances including solid, liquid and gaseous effluents. Company has prepared and updated disaster management plan and also reviewed risk assessment of the entire site engaging services of outside agency and implemented recommendation including reemphasizing awareness at some of the critical locations. Company has concentrated on optimizing use of natural resources and developed new green belt in additional 5000 square meter. Company has additionally carried out rain water harvesting of 5 bore wells making total 26 recharge bore wells at Kemrock.

Recognition to In-House R&D Unit

The Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India, has recognized the Company's In-House R & D unit vide letter dated 23rd August, 2012 recognizing the efforts made by your Company in Research & Development Activities.

Public Deposits

The Company has not accepted any deposits from the Public within the meaning of Section 58A of the Companies Act, 1956, and as such, no amount on account of principal or interest thereon was outstanding on the date of Balance Sheet.

Auditors

The Shareholders of the Company are requested to appoint auditors and to fix their remuneration. M/s. Talati & Talati, Chartered Accountants, the existing Auditors of the Company, will retire at the conclusion of the next Annual General Meeting of the Company. The Company has received certificate from the Auditors to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Auditors Report

Auditors comments in the report are self-explanatory and we assure that the same will be complied immediately.

Acknowledgment

Your Directors take this opportunity to express their gratitude to the Banks, Central and State Governments and their departments and the local authorities for their support.

The Directors also place on record its sincere appreciation to customers, vendors, joint venture partners/subsidiaries, business associates and technology partners of the Company.

Besides, the Directors place on record their sincere appreciation to the Shareholders, Clients, Regulatory Authorities, Stock Exchanges and Depositories for their continued support and assistance and look forward to have such support in all future endeavors.

Board sincerely appreciate and acknowledge the concerted efforts of employees at all levels.

For and on behalf of the Board

Date: 26th November, 2012

Reg. Off.: Vill. Asoj

Vadodara-Halol Express Way

Tal. Waghodia, Dist. Vadodara - 391 510.

Kalpesh Patel
Chairman & Managing Director

Annexure – 'A' to the Directors' Report

Statement regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo for the year ended on 30th June, 2012 as required under Section 217 (1) (e) of the Companies Act, 1956, which forms part of the Directors Report.

A. CONSERVATION OF ENERGY:

(a) Energy conservation measures taken:

Conversion of 2TPH steam Boiler from wood fire to Natural Gas is taken up. This will help to save Electricity, improve productivity and quality of resin, and improve environment.

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

Operation of cooling tower fan Motor of chiller converted by Variable frequency Drive (VFD) to reduce the consumption of power of Cooling tower fan motor.

Power quality audit was carried out to identify reasons for frequent power interruption/failure in carbon fiber plant.

Some of the corrective measures such as installation of harmonic filters, sealing the panels etc. helped to achieve consistent operation of plant without power interruption.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods:

Implementation of above measures helped to improve productivity and quality of resin and achieve consistent operation of carbon fiber plant.

(d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure in respect of industries specified in the Schedule thereto is as under:

FORM – A (see Rule 2)

Form for Disclosure of Particulars with respect to Conservation of Energy

(A) Power and fuel consumption

Sr. No.	Particulars	Unit	Year ended	
			2011-2012	2010-2011
1.	(a) Electricity Purchased			
	Unit	KWH	1,79,97,700	1,78,47,820
	Total amount	Rupees	13,17,84,923/-	11,55,49,568/-
	Rate/Unit	Rs./ KWH	7.32/-	6.47/-
	(b) Own Generation			
	i) Through diesel generator			
	Unit	KWH	1,22,234	1,75,084
	Units per ltr. of diesel oil	KWH	3.0	3.0
	Cost / unit	Rs./KWH	14.32/-	13.56/-
	ii) Through steam turbine generator	N. A.	N.A.	N.A.
	Units			
	Units per ltr. of diesel oil/gas			
	Cost / units			
2.	Coal (specify quality and where used)			
	Quantity (tonnes)	N.A.	N. A.	N.A.
	Total cost			
	Average rate			
3.	Furnace oil			
	Quantity (K. Ltrs.)	KL		176.78
	Total amount	Rs.	---	79,55,000/-
	Average rate	Rs./Ltrs		Rs. 45/-
4.	Wood Consumption-(Resin and Composite Section)			
	Quantity (MT)	Rs.	5986.67 MT	
	Total Amount	Rs./Ltrs	1,77,50,476.55/-	---
	Average Rate	MT	2965/MT	
	Briquettes Consumption-Resin Sec			
	Quantity (MT)	MT	274.16 MT	
	Total Amount	Rs.	11,17,202/-	---
	Average Rate	MT	4075/MT	
5.	Others/internal generation (CNG)			
	Quantity	M3-	335600NM3	111038 NM3
	Total cost	Rs.	1,07,39,200/-	26,64,000/-
	Rate/unit	Rs./NM3	Rs.32/-	Rs. 24/-

(B) Consumption per unit of production

The products of the Company are manufactured in different shapes and sizes and hence, consumption per unit of production is not ascertainable.

B. TECHNOLOGY ABSORPTION:

- (e) Efforts made in technology absorption as per Form-B (Disclosure of particulars with respect to Technology Absorption) are as under:

FORM-B

(See Rule 2)

Form for Disclosure of Particulars with respect to Technology Absorption

[a] Research and Development (R&D):**1. Specific areas in which R&D carried out by the Company:**

Development of thermosetting resin for prepreg and coating application.

2. Benefits derived as a result of the above R&D:

More than 11 products are devolved, such as epoxy resin and hardener for infusion system of wind blade, powder coating resin system, water based epoxy resin and high performance vinyl ester in field of thermosetting resin. In house Phenolic and UPR resins system for prepreg which is highly cost effective and as per international quality. High performance vinyl ester is nominated as **2nd best Innovation awards in various fields of Petrochemicals & Downstream Plastic Processing Industry** by Department of Chemicals & Petro Chemicals, Government of India.

3. Future plan of action:**Wind Mill application**

Laminates which are made using in-house Epoxy resin Grade EPOKEM 1150 and tested at qualifying European laboratories. The result meets the global quality for Wind mill blade application.

Transport Application

Varieties of Prepregs are developed in-house during the year, which have been qualified by various global laboratories for the speciality applications like, Windmill blade and Railway interiors and exteriors.

Based on global market and costumer requirement, R&D shall design and develop the products which are as per global quality standards in the area of composites. Recent development for infusion epoxy resin and Wind Mill Blade (WMB) prepreg will be used for WMB and Transport projects. Use of in house resin and fabric for Wind Mill Blade in place of resin and fabric from overseas suppliers will help to reduce manufacturing cost.

Similarly, use of in-house Resin and prepreg for Transport Division will help to reduce manufacturing cost for different projects in Transport Division.

4. Expenditure on R&D:

a) Capital	:	Rs. 1,12,300/-
b) Recurring	:	Rs.65,33,666/-
c) Total	:	Rs.66,45,966/-
d) Total R & D expenditure as a Percentage of Total Turnover	:	0.07%

[b] Technology Absorption, Adaptation & Innovation:**1. Efforts, in brief, made towards technology absorption, adaptation and innovation :**

- a) The integrated manufacturing facility for aerospace grade carbon fiber was commissioned during the year 2010-11 and stabilized during the year 2011-12. This commercial scale manufacturing facility was stabilized with focus on manufacturing consistency and quality with objective to produce aerospace grade quality carbon fiber. After confirmation of quality as per in-house quality management system, Kemrock approached Centre for Military Airworthiness Certification (CEMILAC), Bangalore, who are independent certifying authority for aeronautical application. CEMILAC, checked complete details of aerospace grade carbon fiber manufacturing at Kemrock including raw material sourcing and testing, in process quality check and final product testing and tested online samples during actual manufacturing process and confirmed the quality of all the three grades of carbon fiber (3K, 6K & 12K) produced as per technology transfer agreement with CSIR-NAL and released provisional clearance for Standard Modulus Carbon Fiber (Tensile Strength 3.5 GPa, Tensile Modulus 230 (GPa) to the Grade 3K, 6K and 12K for Aeronautical Application. This certification is important achievement for supply of carbon fiber for aeronautical application to important organizations in India.

- b) Kemrock has focused for use of in house resins and fabrics for manufacture of wind turbine blade, railway coach interior and exterior laminates instead of sourcing from outside companies at higher cost. This requires testing and approval of our in house resins and fabrics including laminate preparation and testing at approved laboratory of our major important customers and getting confirmation regarding acceptance of quality of our in house resins and fabrics.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.:

- a) Certification from CEMILAC confirms use of carbon fiber produced at Kemrock for various aeronautical applications. Further, Kemrock has taken up conversion of carbon fiber produced for different value added products such as drive shaft for cooling tower, rods etc. This will help to achieve better value addition of carbon fiber produced at Kemrock.
- b) Approval of in house resins and fabrics produced at Kemrock for manufacture of wind mill blades and railway division will help to reduce manufacturing cost of wind mill blades and various projects of railway division. Further, this also will help to achieve higher sales realization of resins by selling to other wind mill blade manufacturers.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

- a) Technology imported : N. A.
- b) Year of import : N. A.
- c) Has technology been fully absorbed? : N. A.
- d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action : N. A.

[c] Foreign Exchange Earnings and Outgo:

- a) Activities relating to exports; initiatives taken to increase exports; development of new export market for products and services; and export plans:

The Company always strives to maintain its focus and presence in the global market being an export oriented unit. The Company has a good network for marketing and export activities and it avails and explores export opportunities based on economic considerations, international market analysis and embarking on new product applications.

b) Total Foreign Exchange used :

(Rs. in Lacs)

Particulars	Year ended 30.06.2012
(i) Raw Material	36,913.64
(ii) Component & Spare Parts	302.85
(iii) Chemicals	6,857.51
(iv) Capital Goods	824.50
	44,898.50

Total Foreign Exchange Earned :

(Rs. in Lacs)

Particulars	Year ended 30.06.2012
Export of goods on FOB basis:	74,439.64

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook for the Economy

With the government of India introducing measures to revive the economic growth, various factors such as domestic and global factors are expected to contribute towards modernization of the Indian economic growth. The year 2011-12 experienced slowdown in the economic growth. GDP growth remained at 6.9% in the year. The business sentiments remained subdued. The interest rates and the crude oil prices have risen sharply to dampen the growth of economy to certain extent. The Union Budget for 2012-13 indicated the need for strong measures to revert to a fiscal adjustment path. With all the said, the GDP growth is likely to remain stagnant for the year 2012-13.

The Company is mainly engaged in the manufacture of Fiberglass Reinforced Polymer (FRP) composites and Resins.

Global Outlook

The Global composite materials industry size has reached \$19.6B in 2011, marking an annual increase of 8.2% from 2010, mainly driven by recovering of majority of markets

The market value of end use products made with composites was \$55.6B in 2011

The composite materials industry is expected to reach \$ 29.9B (about 7% CAGR) by 2017 while end products made with composite materials market value is expected to reach \$85B

The Global Automotive composite materials market was estimated to be around \$ 2.8 B in 2011, and is forecast to reach \$ 4.3 B by 2017 @ CAGR of approx. 7%

The population growth, new infrastructure projects, urbanization, increase in middle class population and the green movement will drive composites growth to new horizons in emerging economies.

Business Review:

Composites

This is the Company's flagship business which accounts considerably of the Company's topline. The company has developed the product in such a high caliber that it has expanded its reach to new consumers. This product has expressed remarkable performance hitherto, in spite of competitive foreign markets. Although the Company enjoys healthy order book position, several other factors have hampered its growth at present. However, the Company has endeavored its best to strengthen its products in the overseas market and its acceptance is wide-spread. Further, the Company has focused on development of high value added composite products to avail advantage of improving profit margins.

Wind Energy

Imaging the world without the electricity is not at all possible, as it plays an important role in people's lives. Wind energy is specie of the renewable energy which can be replenished in a short period of time. Wind power is leader in the renewable energy sector and growth rate of wind energy is increasing rapidly in the domestic and international markets. Kemrock has unique advantage of in-house availability of major raw material, resin and glass fabric for manufacture of wind turbine blade. Kemrock is the preferred supplier of wind turbine blade for almost all the major wind energy customers.

Railways

The composite properties make the material resistant to climate factors and hence it tends to supersede conventional materials, most applications of the new type of materials being addressed to transport industry. The industry has also begun to introduce such materials in railway coach, luxury buses and cars. The construction of the first military vehicles using composite materials stands proof of their quality.

The main advantage of composites compared to metals, considering the industrial production processes, is superior management which significantly reduces manufacturing times. It is unlikely for rolling stock made of composites to be rehabilitated but it is definitely more environmentally-friendly and significantly recyclable.

Composite materials can be used in many applications within the railway industry, viz., infrastructure, interior and exterior parts in rolling stocks. For infrastructure, the main advantages are better corrosion resistance as compared to metal. It is for this that the composite poles or signaling equipment effectively has lower maintenance costs, longer lifetime than wood, and hence composite sleepers, for instance, last more and bears lower weight than concrete which in turn enables faster and easier installation. In terms of rolling stocks, the main advantages are lower weight and key advantages to save energy. There is increasing consumption and acceptance of fire retardant grade composite material in railway coach, interior laminates, luxury buses etc. due to advantage of fuel economy, low maintenance requirement, fire resistance, properties etc.

Kemrock has introduced Prepreg and Vacuum Bagging System to produce improved quality of high end products.