



National Peroxide Limited

Annual Report 2011-2012

(Registered — 16th March, 1954)

DIRECTORS (As on 14th May, 2012)

NESS N. WADIA *Chairman*

P. V. KUPPUSWAMY

K. N. SUNTOOK

R. BATRA

J. S. BILIMORIA

D. N. MEHTA

N. P. GHANEKAR

S. R. LOHOKARE *(Managing Director)*

COMPANY SECRETARY

S. A. GAIKWAD

BANKERS

STATE BANK OF INDIA

CANARA BANK

SOLICITORS AND ADVOCATES

CRAWFORD BAYLEY & Co.

AUDITORS

S. B. BILLIMORIA & Co.

Chartered Accountants

REGISTERED OFFICE

NEVILLE HOUSE,
J. N. HEREDIA MARG,
BALLARD ESTATE,
MUMBAI - 400 001.

FACTORY

N.R.C. ROAD, P.O. ATALI,
VIA MOHONE,
KALYAN - 421 102,
DIST. THANE,
MAHARASHTRA.

REGISTRAR & SHARE TRANSFER AGENTS

SHAREX DYNAMIC (INDIA) PVT. LTD.

UNIT NO. 1,
LUTHRA INDUSTRIAL PREMISES,
ANDHERI-KURLA ROAD,
SAFED POOL, ANDHERI (E),
MUMBAI - 400 072.
Tel: 2851 5644 / 2851 5606

CONTENTS

Notice	2
Directors' Report	5
Management Discussion & Analysis Report	12
Corporate Governance Report	15
Auditors' Report	23
Balance Sheet	26
Statement of Profit & Loss	27
Cash Flow Statement	28
Notes to the Financial Statements	29
Consolidated Auditors' Report	45
Consolidated Balance Sheet	46
Consolidated Statement of Profit and Loss	47
Consolidated Cash Flow Statement	48
Notes to the Consolidated Financial Statements	49
Naperol Investments Limited	65



National Peroxide Limited

NOTICE

NOTICE is hereby given that the Fifty-Eighth Annual General Meeting of the Members of NATIONAL PEROXIDE LIMITED will be held at Sunville Banquet & Conference Rooms, 9, Dr. Annie Besant Road, Near Worli Flyover, Worli, Mumbai 400 018, on Thursday, 9th August, 2012 at 4.00 p.m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2012 and the Statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in the place of Mr. K. N. Suntook, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. Rajesh Batra, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Messrs. S. B. Billimoria & Co., Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

NOTES:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND A PROXY NEED NOT BE A MEMBER. The instruments appointing the proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
- (b) The Share Transfer Books and the Register of Members of the Company will remain closed from Friday, 27th July, 2012 to Thursday, 9th August, 2012, both days inclusive.
- (c) (i) The dividend, if any, that may be declared at the Meeting, shall be paid on or after 10th August, 2012 to those shareholders whose names stand on the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company's Registrar & Transfer Agents on or before 26th July, 2012, in respect of the shares held in physical form.
- (ii) In respect of the shares held in electronic form, the dividend for the year ended 31st March, 2012 will be payable to the beneficial owners of the shares as at the closing hours of 26th July, 2012, as per the details to be furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd., for this purpose.

- (d) Members are requested to notify immediately any (i) change of address; (ii) change of bank details; (iii) NECS mandate; or (iv) nomination to:

- (1) their Depository Participants (DPs) in respect of shares held in demat form; and
- (2) the Company's Registrar & Transfer Agents, Sharex Dynamic (India) Pvt. Ltd., in respect of shares held in physical form, at the following address:

Unit No. 1,
Luthra Industrial Premises,
Andheri-Kurla Road,
Safed Pool, Andheri (E), Mumbai - 400 072.
Tel: 2851 5644/2851 5606

The aforesaid information should reach Sharex Dynamic (India) Pvt. Ltd. on or before 26th July, 2012, except nomination which can be done at any time.

- (e) Members are requested to refer to the Note on "Green Initiative" appended to this Notice.
- (f) The unclaimed dividends for the year ended 31st March, 1994 and previous years, declared by the Company have been transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956. Shareholders who have not encashed their dividend warrants for the aforesaid years are requested to claim the amount from the Registrar of Companies, Maharashtra, Mumbai.

Unclaimed dividends for the financial years 1994-95; 1995-96; 1996-97; 2000-01, 2001-02, 2002-03 and 2003-04 were transferred to the Investor Education and Protection Fund (IEPF) as required in terms of Section 205A read with Section 205C of the Companies Act, 1956. No claim shall lie against the IEPF or the Company in respect of the unclaimed/unpaid amount(s) transferred to the IEPF.

In terms of Section 205A read with Section 205C of the Companies Act, 1956, dividends for the years ended 31st March, 2005 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the respective dates of transfer to the unpaid dividend account of the Company are due for transfer to the IEPF. The last dates for claiming unpaid dividends are given in the table below:

Financial Year	Date of Declaration of Dividend	Last Date for Claiming Unpaid Dividend
2004-05	28.07.2005	27.07.2012
2005-06	28.07.2006	27.07.2013
2006-07	27.07.2007	26.07.2014
2007-08	23.07.2008	22.07.2015
2008-09	21.07.2009	20.07.2016
2009-10	30.07.2010	29.07.2017
2010-11	08.08.2011	07.08.2018

Members who have so far not encashed the Dividend Warrants for the above years are advised to submit their claim to Sharex Dynamic (India) Pvt. Ltd., at the address given above, quoting their folio numbers/DP ID & Client ID. It may be noted that once the unclaimed/unpaid dividend is transferred to the IEPF as aforesaid, no claim shall lie in respect of such amount(s) by the members.

- (g) Members/Proxies should bring the Attendance Slip sent herein duly filled in for attending the Meeting.
- (h) Members are requested to bring their copy of the Annual Report to the Meeting.
- (i) Members desiring any information/clarification as regards the Accounts are requested to write to the Company at least 10 days before the Annual General Meeting to enable the Management to reply at the Meeting.
- (j) As required in terms of Paragraph IV(G)(i) of Clause 49 of the Listing Agreement, the details of the Director(s) being appointed/re-appointed are furnished below:

1. Mr. K. N. Suntook

Mr. K. N. Suntook, 77, is a B.A., LL.B. (Advocate), FCS. He was inducted on the Board in July 1984. He has 49 years experience, as a Senior Executive and ultimately Director in some Tata Group Companies, specializing in general management, finance, human resource development and planning.

Mr. Suntook also has vast experience in international business.

Mr. Suntook is not related to any of the other Directors. He does not hold any shares of the Company.

Other Directorships: The Associated Building Co. Ltd. (Chairman); National Centre for the Performing Arts (Chairman)

Committee Memberships: National Peroxide Ltd. (Audit Committee; Remuneration Committee; Finance Committee)

2. Mr. Rajesh Batra

Mr. Rajesh Batra, 57, did his schooling in Campion School, Mumbai and graduated from Elphinstone College, in 1975. He then obtained a Diploma in Systems Management from the Jamnalal Bajaj Institute in 1978.

Son of Mr. Ram Batra, a leading Businessman and Sheriff of Bombay in 1978, Rajesh Batra, along with his brother Rajiv, founded Proline in 1983. The brand has a national presence and is presently sold through more than 30 company exclusive stores, major department stores & malls and several hundred retail outlets.

A keen tennis enthusiast, Mr. Batra was the Maharashtra State Champion during 1970s and was ranked number 6 in India at that time. He has also represented India in the Asian Junior Championships in 1973 where he was a finalist and at the World University Games in 1973 in Moscow.

Mr. Batra is a Director on the Board of several Companies. Besides this, he is a trustee on several charitable trusts and promotes tennis through the Ram Batra Memorial Foundation.

Mr. Batra does not hold any shares of the Company.

Other Directorships: Cravatex Ltd.; Proline India Ltd.; B.R.T. Ltd.; Technojet Consultants Ltd.; Proline Exports Pvt. Ltd.; Promark Fitness & Leisure Pvt. Ltd.; Jehreen Investments Pvt. Ltd.; Lochness Investments Pvt. Ltd.; Citroflex Pvt. Ltd.; Spring Flower Investments Pvt. Ltd.; Nitapo Holdings Pvt. Ltd.; Heera Holdings & Leasing Pvt. Ltd.

Committee Memberships: National Peroxide Ltd. (Audit Committee; Remuneration Committee; Shareholders'/Investors' Grievance Committee); Cravatex Ltd. (Shareholders' Committee)

By Order of the Board of Directors
For NATIONAL PEROXIDE LIMITED

SATISH GAIKWAD
Company Secretary

Registered Office:

Neville House
J. N. Heredia Marg
Ballard Estate
Mumbai - 400 001

Mumbai, 14th May, 2012



GREEN INITIATIVE

Regarding Service of Documents to Shareholders by E-mail

The Ministry of Corporate Affairs ('MCA') has now expressly permitted Companies to effect service of documents on shareholders through the electronic mode by giving each shareholder an opportunity to register with the Company his/her e-mail address.

We, therefore, plan to send documents such as the Annual Report, notices of general meetings, circulars and postal ballot notices by e-mail to those shareholders whose e-mail IDs are available with us.

MCA has clarified that service of documents on shareholders through e-mail will constitute sufficient compliance with Section 53 of the Companies Act, 1956.

In view of the above, should you desire to receive documents from the Company through the electronic mode, please intimate update your e-mail IDs to :

1. Your Depository Participants (DPs) in respect of shares held in demat form; and

2. The Company's Registrar & Transfer Agents, in respect of shares held in physical form, either by sending e-mail at naperol@sharexindia.com or sending a letter duly signed by first/sole holder, quoting the full name and folio to the following address:

Sharex Dynamic (India) Pvt. Ltd.
(NATIONAL PEROXIDE LIMITED)
Unit No. 1, Luthra Industrial Premises,
Andheri-Kurla Road, Safed Pool,
Andheri (E), Mumbai – 400 072.
Tel: 2851 5644/2851 5606

You may, however, change your instructions at any time and request us to send you the documents in the physical form only.

The documents that we propose e-mailing you will also be available for ready access on our website www.naperol.com.

We trust, as a responsible citizen, you will join us in our initiative to conserve our environment through the curtailment of consumption of paper.

DIRECTORS' REPORT TO THE MEMBERS

The Directors take pleasure in presenting their Report on the business and operations of the Company and the Financial Accounts for the year ended 31st March, 2012.

1. FINANCIAL RESULTS

	For the year ended 31st March, 2012 (₹ in lac)	For the year ended 31st March, 2011 (₹ in lac)
Gross Turnover (net of excise)	15,330.96	18,163.11
Profit before Interest & Depreciation	4,931.28	9,511.06
Less: Interest	40.75	75.84
Profit before Depreciation	4,890.53	9,435.22
Less: Depreciation	1,002.19	840.96
Profit before Tax	3,888.34	8,594.26
Less: Provision For Tax:		
– Current Tax	810.00	2,872.00
– Deferred Tax	336.85	(66.00)
– Excess provision of Taxes for prior years	(6.63)	(4.01)
Profit after Tax	2,748.12	5,792.27
Balance brought forward from previous year	10,077.79	5,646.45
AMOUNT AVAILABLE FOR APPROPRIATIONS	12,825.91	11,438.72
Appropriations:		
Proposed Dividend	689.64	689.64
Corporate Dividend Tax	107.63	91.79
Transfer to General Reserve	275.00	579.50
Balance carried to Balance Sheet	11,753.64	10,077.79
	12,825.91	11,438.72

YEAR IN RETROSPECT

The gross sales and other income for the year under review were ₹ 15,617 lac as against ₹ 18,488 lac for the previous year registering a decrease of 16%. The profit before tax was ₹ 3,888 lac (after interest and depreciation charges of ₹ 1,043 lac) and the profit after tax was ₹ 2,748 lac for the year under review as against ₹ 8,594 lac and ₹ 5,792 lac respectively, for the previous year, both down by 55% and 53% respectively.

An inventory of 5,422 MT of Hydrogen Peroxide (H_2O_2) was available for the Plant shutdown taken from 11th April to 21st June, 2011 to implement the 84,000 MTPA Expansion Project. However, due to the extension of shutdown and the prevailing market conditions, there was a loss of 1,500 MT of H_2O_2 by way of sales. The plant started commercial production from 1st September, 2011.

The decline in the sales volume during the year was partially due to the shutdown and sluggish market conditions. The decline in profit was due to lower sales realization arising from higher imports at lower prices.

2. DIVIDEND

Considering the Company's performance, the Board of Directors recommends a dividend of ₹ 12/- per equity share of ₹ 10/- each for the year ended 31st March, 2012 to be paid, if declared by the members at the Annual General Meeting to be held on 9th August, 2012.

3. OPERATIONS

During the year under review, your Company successfully implemented the expansion project which has increased the capacity of the Hydrogen Peroxide (H_2O_2) Plant from 68,000 MTPA to 84,000 MTPA.

During the year under review, the Company produced 57,624 MT of H_2O_2 , as compared to 71,826 MT during the previous year.

The Company sold 61,240 MT of H_2O_2 during the year under review, as against 66,806 MT during the previous year. The lower demand in the market led to a decrease in prices of H_2O_2 , resulting in lower profit for the year. The Company, however, continues to maintain its prime position in the market and held 40% market share during the year.

3.29 Million Cubic Meters (MCM) of Hydrogen Gas (H_2) were also sold during the year, as against 3.92 MCM during the previous year. Sales of H_2 were lower as compared to the previous year, due to the shutdown for expansion.



National Peroxide Limited

The price of crude oil and consequently Natural Gas had risen significantly by the end of the year thereby impacting the cost of production.

During the year, the Company received ₹ 25.50 lac by way of dividend from its wholly owned subsidiary, Naperol Investments Ltd. Since the Company became debt free, the cash surplus was invested in financial instruments. The interest & dividend income on account of such investments amounts to ₹ 109 lac. As a result, the other income of the Company was ₹ 286 lac as against ₹ 325 lac in previous year.

The timing of the next stage of expansion to 95,000 MTPA is under review.

4. AWARDS AND RECOGNITION

The Company received the following awards during the year 2011-12:

(a) *'National Safety Award - 2009'*

Awarded by Government of India, Ministry of Labour and Employment, Directorate General Factory Advice Service & Labour Institutes, for outstanding performance in Industrial Safety as Winner, during the performance year 2009 based on ACCIDENT FREE YEAR, under scheme - VIII, Schedule - 02 (Manufacture of Chemicals & Chemical Products).

(b) *'Forbes List of Asia's 200 Best Under A Billion'*

National Peroxide Limited was featured in Forbes List of Asia's 200 Best Under A Billion for the year 2011. These are essentially Forbes' picks of the companies (from an initial field of over 15,000 in 2011) that have best managed through the economic volatility that began in 2008.

These awards are in recognition of serious efforts made by the Company in various aspects of its business.

5. SAFETY & ENVIRONMENT

The Company continues to maintain a good safety and environmental record and has worked for 1,355 days without Lost Time Injury as on 31st March, 2012.

6. INSURANCE

All the properties of the Company, including buildings, plant and machinery, stocks and materials have been adequately insured. The Company also has a public liability insurance policy as per the Public Liability Insurance Act, 1991.

7. FIXED DEPOSITS

There are no outstanding or unclaimed deposits as on 31st March, 2012. The Company does not accept fresh deposits at present.

8. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. K. N. Suntook and Mr. Rajesh Batra retire by rotation and both being eligible, offer themselves for re-appointment.

9. DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (ii) they have, in selection of accounting policies, consulted the statutory auditors and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the profit of the Company for the year ended 31st March, 2012;
- (iii) they 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 Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the Annual Accounts on a going concern basis.

10. CORPORATE GOVERNANCE

Your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance in terms of Clause 49 of the Listing Agreement, with BSE Ltd. (previous name - Bombay Stock Exchange Limited) have been complied with.

A separate report on Corporate Governance is being incorporated as a part of the Annual Report along with a Certificate from a Practicing Company Secretary, regarding compliance of the conditions of Corporate Governance, which is annexed to the Directors' Report.

11. WADIA BRAND EQUITY & BUSINESS PROMOTION AND SHARED SERVICES AGREEMENT

The Wadia Group has several companies in diverse sectors like the airlines, food, textiles, chemicals etc. and employs various subject matter experts in areas such as Legal, Finance, Information Technology, Treasury, Taxation, Human Resources, Procurement, Risk Management etc. With a view to maximizing the efficiency and effectiveness of these specialized resources, a

formal structure has been created under Nowrosjee Wadia & Sons Limited (NWS) to serve the common interests of all the Group Companies. The combined skills, knowledge and expertise of this structure will benefit all the Group Companies availing of this arrangement.

In order to formalize this structure of common services and avail of the standing of the Wadia Group Brand, the Board of your Company, during the year, approved an Agreement between NWS and your Company to enter into the 'WADIA Brand Equity & Business Promotion and Shared Services Scheme.'

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

As required under 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, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are annexed as Annexure A.

13. CLIMATE CHANGE AND GREENHOUSE GAS EMISSIONS

The details on climate change and greenhouse gas emissions are annexed as Annexure B.

14. CORPORATE SOCIAL RESPONSIBILITY

The Company along with Rotary Club of Mumbai Shivaji Park and Larsen & Toubro Limited's Medical Centre conducted a Medical Check-up Camp for 550 children and a Health Education Camp at Bhanuben Pravin Shah Secondary & Higher Secondary School of Yusuf Meherally Centre, Tara Village, Taluka Panvel, District Raighad, under Rotary International's Global Grant Project 25116.

The Company also conducted a Career Guidance Vocational Training Programme for Tribal Children for students preparing for Standard X and XII Board Examinations.

15. SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act, 1956, the accounts of Naperol Investments Limited, wholly-owned subsidiary of the Company, are appended.

16. CONSOLIDATED FINANCIAL STATEMENTS

As required by Accounting Standard 21, 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, the audited Consolidated Financial Statements are annexed.

17. PARTICULARS OF EMPLOYEES

The information in terms of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, which forms part of this Report, is appended.

18. AUDITORS

Members are requested to appoint M/s. S. B. Billimoria & Co., Chartered Accountants, as Auditors for the current year at remuneration to be fixed by the Board of Directors.

19. COST AUDITORS

The Company had appointed Mr. Hemant Shah, Cost Accountant, as the Cost Auditors to carry out the audit of the cost accounts of the Company relating to industrial gases for the financial year ended on 31st March, 2012. The Cost Audit Report for 2010-11 was filed on 30th August, 2011, before the due date of 27th September, 2011.

20. ACKNOWLEDGEMENTS

Your Directors would like to express their sincere appreciation to the Customers, Vendors, Bankers, Shareholders, Central and State Governments and Regulatory Authorities for their continued co-operation and support.

Your Directors also take this opportunity to acknowledge the dedicated efforts made by employees for their contribution to the success achieved by the Company.

On behalf of the Board of Directors

NESS N. WADIA
Chairman

Registered Office:

Neville House,
J. N. Heredia Marg,
Ballard Estate,
Mumbai - 400 001.

Mumbai, 14th May, 2012



Information as per 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

A. CONSERVATION OF ENERGY

(a) Measures Taken :

Several measures for conservation of energy were undertaken during the year. Some of the key measures are highlighted as under:

- Replaced old process air compressor motor with new high efficiency motor.
- Replaced old instrument air compressor motor with new high efficiency motor.
- Replaced 6 old window air conditioner units with 3 star rating machines.
- Replaced old hydrogenation feed pumps with new energy efficient pumps.
- Replaced old HT cooling water pump & motor with energy efficient pump and motor.
- Installed new energy efficient cooling tower, cooling fans, fan motors, VFD units and operating fans in close loop with VFD as per set cooling water temperature of return header.
- Replacement of insulation of pipe lines & equipments during expansion.
- Installation of energy efficient pumps & motors during expansion.
- Installation of new boiler with economizer for dual fuel feed operation and operating with Natural Gas as fuel feed for cost effective operation.

These measures, along with the measures taken during the last year, have resulted in significant reduction in energy consumption. In addition, leakages of solvents were significantly reduced by close monitoring.

(b) Additional Investments & Improvements: Total expenditure of ₹ 19.20 lac was incurred during the year on various energy conservation measures.

(c) Impact of (a) and (b):

Results from various measures taken were seen by way of reduced power consumption during the year.

(d) Total energy consumption & energy consumption per unit of production:

FORM A

A. POWER AND FUEL CONSUMPTION

	2011-12	2010-11
1. Electricity		
a. Purchased:		
Units (KWH).....	2,31,92,200	2,74,33,200
Total Amount (₹ lac)	1,518.71	1,518.70
Rate/Unit (₹/KWH)	6.55	5.54
b. Own Generation:		
Through diesel generator Units (KWH)	25,920	27,400
Units/litre of diesel oil (KWH).....	2.88	2.91
Cost of diesel/Unit (₹/KWH)	14.52	13.67
Through steam turbine/generator.....	Not Applicable	Not Applicable
2. Coal	Not Applicable	Not Applicable
3a. Furnace Oil		
Quantity (MT)	28.47	85.20
Total amount (₹ lac).....	9.17	22.73
Average rate (₹/MT).....	32,246.39	26,686.18
3b. Natural Gas		
Quantity (MMBTU)	79,715.00	92,598.00
Total amount (₹ lac).....	416.05	351.87
Average rate (₹/MMBTU).....	521.92	380.00
4. Other/Internal Generation	Not Applicable	Not Applicable

B. CONSUMPTION PER UNIT OF PRODUCTION

	2011-12	2010-11
1. Electricity (KWH/MT)	375.14	369.61
2a. Furnace Oil (KG/MT)	0.49	1.18
2b. Natural Gas (MMBTU/MT)	1.35	1.25

The boiler was operated for part of the year on Furnace Oil and part on Natural Gas. The consumption for each fuel is calculated on annual production. The equivalent fuel oil specific consumption on gross calorific value basis for 2010-11 & 2011-12 works out to 31.86 KG of Fuel Oil/MT & 33.46 KG of Fuel Oil/MT, respectively.

The power consumption for 2011-12 is higher due to non productive consumption of power after expansion shutdown due to startup & stabilisation activities.

B. TECHNOLOGY ABSORPTION

FORM B

I. Research and Development

1. Specific Areas:

Our developmental efforts consisted of the following:

The plant was expanded from 68,000 MTPA (name plate capacity) to 84,000 MTPA as a result of the Company's in-house efforts. Details of the execution are as follows:

- Process design of equipment of Hydrogen Peroxide Plant, keeping in view operating experience and energy conservation.
- Process improvements in Hydrogen Peroxide and Sodium Perborate manufacturing.
- Improvement of water treatment process for H_2O_2 process by installation of RO Plant.
- Improvement of effluent treatment process by installation of TMF & RO Plant.

2. Benefits Derived:

- Cost effective expansion carried out.
- Higher productivity from the plant.
- Improvement in Chemistry & Productivity of Working Solution.
- Better control of effluent quality & better utilization of existing assets for higher loads.

3. Plan of Action:

During the next few years, our thrust will be primarily on:

- Developing process design and carrying out engineering for Phase III expansion of Hydrogen Plant & Hydrogen Peroxide Plant to 95,000 MTPA.
- Process modifications to reduce the cost of manufacture and yield.
- Recycling of treated effluent as makeup for cooling tower.
- Reduction in water usage & chemical usage in water treatment plant by replacing conventional demineralisation.
- Implementation & streamlining of IMS system comprising of QMS system 9001:2008, EMS 14001:2004, OSHAS 18001:2007, EnMS 50001:2011, GHG 14064-1 & Responsive Care.

4. Expenditure on R&D:

Capital expenditure	:	NIL
Recurring expenditure	:	NIL
Total expenses	:	NIL
Total as % of turnover	:	NIL

II. Technology Absorption, Adaptation and Innovation

1. Efforts Made:

- Process Design of equipments for expansion of Hydrogen & Hydrogen Peroxide Plant;
- Improvement in Effluent Treatment Plant;
- Installation of APC system for Plant;



National Peroxide Limited

- (d) Stabilization of Exa OPC system for Plant;
- (e) Stabilization of Cooling Tower operations using 3D Trasar system.

2. Benefits Derived:

- (a) In-house designing of project & training of manpower for technology & projects;
- (b) Reduction in effluent load to overcome locational issues;
- (c) Optimum efficiency of heat exchanger.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) Activities relating to Exports:

During 2011–12, the Company exported 21.6 MT of Hydrogen Peroxide.

(b) Total Foreign Exchange used and earned:

Export Sales (FOB)	: ₹ 4.84 lac
Foreign exchange outgo (includes raw materials, spare parts, capital goods and other expenditure in foreign currency including dividends)	: ₹ 969.76 lac

On behalf of the Board of Directors

NESS N. WADIA
Chairman

Mumbai, 14th May, 2012

ANNEXURE – B

CLIMATE CHANGE AND GREENHOUSE GAS EMISSIONS

The United Nations Climate Change Conference, Durban 2011, delivered a breakthrough on the international community's response to climate change. In the second largest meeting of its kind, the negotiations advanced, in a balanced fashion, the implementation of the Convention and the Kyoto Protocol, the Bali Action Plan, and the Cancun Agreements. The outcomes included a decision by Parties to adopt a universal legal agreement on climate change as soon as possible, and no later than 2015. The President of COP17/CMP7, Maite Nkoana-Mashabane said: "What we have achieved in Durban will play a central role in saving tomorrow, today."

The 'Bridging the Emissions Gap' report, coordinated by the UN Environment Programme (UNEP) with climate modeling centres across the globe, underlined in the run-up to Durban that the best available science indicates that greenhouse gas emissions need to peak before 2020. It also underlined that annual global emissions need to be around 44 Gt of CO₂ equivalent by around that date in order to have a running chance of achieving a trajectory that halves those emissions by 2050 below 2005 levels.

The report also concluded that bridging the divide is economically and technologically do-able if nations raise their emission reduction ambitions and adopt more stringent low-carbon policies across countries and sectors. The key question of the Durban outcome is whether what has been decided will match the science and lead to a peaking of global emissions before 2020 to maintain the world on a path to keep a temperature increase below 2° Celsius.

The European Union and several other countries agreed to continue the Kyoto Protocol beyond 2012 if other governments, including major emitters from developed and developing ones, agreed to negotiate a new legally binding treaty with deeper emission reductions by 2015 to come into force afterwards. The continuation of the Kyoto Protocol during this new negotiation phase means the provisions of this existing emission reduction treaty, ranging from emissions trading to the Clean Development Mechanism, will also continue providing some benefit to the climate and the ambitions of developing economies over the near term.

In India, the National Plan on Climate Change was released by the Honourable Prime Minister in June 2008. This Action Plan outlines Eight Missions including National Mission on Enhanced Energy Efficiency (NMEEE). Under this mission a market mechanism namely Perform, Achieve & Trade is being created. The said scheme has been notified on 30th March, 2012. This mechanism is presently applicable to 478 Designated Consumers (DC) under the Energy Conservation Act, 2001. At present from the Chemical industry, only Chlor Alkali and Fertilizer industries are covered. The targets for designated consumers are to be achieved in a 3 year period (i.e. from FY. 2012-13 to FY. 2014-15). However, being a forward looking Company, your Company has been working on its own to meet the national goals on a voluntary basis.

The climate change policy of the Company is based on:

- Continuing to improve energy efficiency in all operations;
- Improving the operations wherever practicable by implementing best practice technologies to reduce greenhouse gas emissions;
- Using alternate fuels of low carbon contents wherever practicable.