

ANNUAL REPORT 2011-2012

Board Of Directors	:	Mr. Mahendra K. Khatau	Chairman
		Mrs. Asha M. Khatau	Director
		Ms. Devaki J. Jariwala	Director
		Mr. Bhalchandra Sontakke	Director
		Mr. S. Rajgopalan	Director
		Mr. Arup Basu	Managing Director
Bankers	:	Indusind Bank Ltd.	
Auditors	:	G. P. Kapadia & Co. Chartered Accountants	
Registered Office	:	Plot No. 410/411, Khatau House, Mogul Lane, Mahim, Mumbai - 400 016.	
Factory & Administrative Office	:	Plot No. 23, Phase - III, G.I.D.C. Naroda, Ahmedabad - 382 330.	
Registrar & Transfer Agent	:	Sharepro Services Private Limited Office No. 416 to 420, Devnandan Mall, Opp. Sanyas Ashram, Ashram Road, Ellisbridge, Ahmedabad-380006.	

NOTICE

NOTICE IS HEREBY GIVEN THAT the 31st Annual General Meeting of the Members of REFNOL RESINS AND CHEMICALS LIMITED will be held on **6th September 2012** at 12.00 Noon at its registered office at Plot No. 410/411, Khatau House, Mogul Lane, Mahim (West), Mumbai-400 016 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2012, Profit & Loss Account for the year ended on 31st March 2012 together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Mahendra Khatau who retires by rotation and being eligible offer himself for re-appointment.
3. To appoint M/s. G P Kapadia & Co., Auditors' to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting and to fix their remuneration.

SPECIAL BUSINESS:

4. **To Consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolutions;**

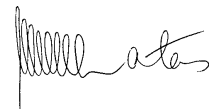
“**RESOLVED THAT** in accordance with the provisions of Section 198, 269, 309 and 310, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), and subject to the approval of Central Government and other statutory approval if any, the members hereby approves the re-appointment of Shri Arup Basu, as Managing Director of the Company for a period of three years commencing from 15th June 2012, on the remuneration and other terms & conditions and with such powers & duties as set out in the agreement as placed before the members and duly initialed by the Chairman for the purpose of identification with liberty to the Board of Directors to alter and vary the terms & conditions of the said reappointment, as may be agreed to between the Board Members of the Company and Shri Arup Basu;

RESOLVED FURTHER that the remuneration and perquisites set out in the aforesaid draft agreement be paid to Shri Arup Basu as minimum remuneration during the tenure of his re-appointment notwithstanding that in any financial year of the company during the aforesaid period, whether the Company has made no profits or the profits made are inadequate.

RESOLVED FURTHER that the remuneration and perquisites including the monetary value thereof as specified in the draft agreement may be varied, increased, expanded, enhanced, enlarged, widened or altered in accordance with the provisions relating to the payment of Managerial remuneration under the Companies Act, 1956 or any amendments thereof or re-enactments thereof and that the aforesaid draft agreement between the Company and Shri Arup Basu be suitably amended to give effect to the same in such manner as may be agreed to between the Board and Shri Arup Basu.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized, without any reference / approval of the General Meeting, to accept and alter and vary the terms & conditions of the said re-appointment or any amendments or modifications that may hereafter be made thereto by the Central Government.”

For and on behalf of the Board



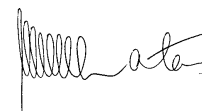
Mahendra. K. Khatau
Chairman

Registered Office:
Plot No. 410/411,
Khatau House, Mogul Lane,
Mahim, Mumbai-400 016.
Date : 31st July, 2012
Place : Mumbai

NOTES:

- (a) Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of special business is annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (c) The Register of Members and the Share Transfer Books of Company will remain closed on 05/09/2012 to 06/09/2012 (Both days inclusive) for the purpose of crystallization of stale share transfer deeds.
- (d) Members/proxies are requested to bring the attendance slip sent herewith, duly filled for attending the meeting.
- (e) Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
- (f) Non-Resident Indian Shareholders are requested to inform the Company immediately:
- (i) the change in the Residential Status on return to India for permanent settlement;
 - (ii) the particulars of NRE Bank Account maintained in India with complete name and address of the Bank, if not furnished earlier.
- (g) Members seeking any information or clarification on the Accounts and operation of the Company are requested to send in written queries to the Company, at least ten days before the date of the meeting. Replies will be provided in respect of such written queries received only at the meeting.
- (h) Members, who hold shares in the dematerialized form, are requested to bring their depository account number for identification.
- (i) Members are requested to immediately address their communications regarding transfer of shares, change of address, bank account details, dividend mandates, etc. quoting their folio number(s) to the Company's Registrar & Transfer Agent: Sharepro Services Private Limited, Office No. 416 to 420, Devnandan Mall, Opp. Sanyas Ashram, Ashram Road, Ellisbridge, Ahmedabad-380006. (+91) (079) 26582381/85
- (j) the Company will not entertain any direct request from Members for deletion/change in the bank account details furnished by Depository Participants to the Company.
- (k) Members who hold shares in the physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest to avail of the nomination facility by filling Form 2B. Blank forms will be supplied by Company's Registrar & Transfer Agent on request. Members holding shares in dematerialized form may contact their Depository Participant for recording nomination in respect of their shares.
- (l) All documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company on all working days except Saturdays and Sundays between 11.00 a.m. to 1.00 p.m.
- (m) As per Securities and Exchange Board of India (SEBI) Circular, submission of Permanent Account Number (PAN) is compulsorily required for participating in the securities market, deletion of name of deceased shareholder or transmission/transposition of shares. Members holding shares in dematerialized mode are requested to submit the PAN details to their Depository Participant, whereas Members holding shares in physical form are requested to submit the PAN details to the Company's Registrar and Transfer Agents.
- (n) As per the Circular of the Ministry of Corporate Affairs of "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) allowing paperless compliances by Companies through electronic mode. Companies are now permitted to send various notices /documents to its shareholders through electronic mode to the registered e-mail addresses of shareholders. Members, who hold the shares in dematerialized form are requested to register their email ids with their depository participants and the members holding the shares in physical form, are requested to register their email ids with the Company's Registrar and Share Transfer Agent on the address given above.

For and on behalf of the Board



Mahendra. K. Khatau
Chairman

Registered Office:
Plot No. 410/411,
Khatau House, Mogul Lane,
Mahim, Mumbai-400 016.
Date : 31st July, 2012
Place : Mumbai

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

The Board Members re-appointed Shri Arup Basu as Managing Director of the Company on 11th June 2012 for a period of three years w.e.f. from 15th June 2012 on the terms & conditions and remuneration as recommended by Remuneration Committee. The Remuneration Committee has considered the matter and recommended the terms of the Remuneration to the Board, subject to the approval of members and Central Government under various Sections of the Act read with Schedule- XIII of the Companies Act, 1956. He is a B. Tech, Chemical Engineering from IIT, Bombay and has obtained a postgraduate management degree from IIM, Ahmedabad. He is with company since last 32 years more particularly as Managing Director of the Company since last thirteen years. He has vast experience in management, administration and effective policy formulations for efficient and smooth running of the company. In view of the manifold increase in Shri Arup Basu's role and his responsibility, the Board approved the re-appointment of Shri Arup Basu as Managing Director of the Company for a period of three years w.e.f. 15th June 2012 as his period of office expired on 14th June 2012. The details of the remuneration payable to Shri Arup Basu, as Managing Director as contained in the agreement signed between the Company and Shri Arup Basu are set out below:

- a) Salary: Salary of Rs. 1,16,500/- (Rupees One Lac Sixteen Thousand Five Hundred Only) per month with suitable increment on 1st April each year at the discretion of the Board of Directors in the Grade of Rs. 1,16,500/- to Rs. 2,50,000/-. So long as he functions as such, he shall not be paid any sitting fees for attending meeting of the Board of Directors or committees thereof,
- b) Perquisites as mentioned below:
 - i) House Rent Allowance: 50% of the salary per month.
 - ii) Medical reimbursement: Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year. However, this medical entitlement can be accumulated for a period of five years.
 - iii) Leave Travel Concession: Leave Travel Concession for self and family once in a year in India/ or abroad incurred by him in accordance with the rules of the company.
 - iv) Club Fees: Fees of Club subject to a maximum of two clubs. (No admission and life membership fees will be paid)
 - v) Personal Accident Insurance & Medical Insurance: Personal Accident and Medical Insurance of an amount, the annual premium of which shall not exceed Rs. 25,000/-p.a.
 - vi) Earned/Privilege Leave: Leave on full pay and allowances as per the rules of the Company.
 - vii) Company's Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the Rules of the Company, to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - viii) Gratuity payable should not exceed half month's salary for each completed year of service.
 - ix) Provision of car with driver and provision of telephones and other necessary communication facilities at his residence at Company's cost.
 - x) The Company shall reimburse actual entertainment and traveling expenses incurred by the Managing Director in connection with the Company's Business.
 - xi) Commission not exceeding 1% of the net profit of the Company.

Note: For the purpose of perquisites stated herein above, family means the spouse, the dependent children and the dependent parents of the appointee.

The other terms contained in the agreement are the various powers delegated to Shri Arup Basu as Managing Director of the Company by virtue of his re-appointment.

This statement containing following information is given as per Clause-C of section II of part II of Schedule XIII of the Companies Act, 1956.

I. GENERAL INFORMATION:

(1)	Nature of Industry	Manufacturing of Textile Chemicals, Resins & Garment Washing Chemicals.														
(2)	Date or expected date of commencement of commercial production.	Existing Company and hence not applicable.														
(3)	In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	Existing Company and hence not applicable.														
(4)	Financial Performance based on given indicators. (As at 31st March 2012)	<table> <thead> <tr> <th>Particulars</th> <th>Rs. in Lacs</th> </tr> </thead> <tbody> <tr> <td>Turnover</td> <td>1887.34</td> </tr> <tr> <td>Operating Profit (PBIDT)</td> <td>(62.24)</td> </tr> <tr> <td>Net Profit Before Tax</td> <td>(223.25)</td> </tr> <tr> <td>Debt Equity Ratio</td> <td>21.69:1</td> </tr> <tr> <td>Current Ratio</td> <td>0.99</td> </tr> <tr> <td>Net Worth</td> <td>28.13</td> </tr> </tbody> </table>	Particulars	Rs. in Lacs	Turnover	1887.34	Operating Profit (PBIDT)	(62.24)	Net Profit Before Tax	(223.25)	Debt Equity Ratio	21.69:1	Current Ratio	0.99	Net Worth	28.13
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Current Ratio	0.99															
Net Worth	28.13															
(5)	Export Performance	The Company has achieved export Turnover of Rs. 652.07 Lacs for the financial year ended on 31.03.12.														
(6)	Foreign Investments or collaborators, if any.	Except the investment made in wholly owned subsidiary based at Mauritius, no other investment has been made by the company.														

II. INFORMATION ABOUT THE APPOINTEE:

(1)	Background Details	Shri Arup Basu is a B. Tech, Chemical Engineering from IIT, Bombay and has obtained a postgraduate management degree from IIM, Ahmedabad. He is with company since last 32 years more particularly as Managing Director of the Company since last thirteen years.
(2)	Past Remuneration	Remuneration paid for the Financial year 2011-12 was Rs. 10.14 Lacs per annum Plus Rs. 9.22 Lacs Perquisites per annum. Total Rs. 19.36 Lacs Per Annum.
(3)	Recognition or Awards	Shri Arup Basu is Management Graduate from IIM, Ahmedabad and is technically well versed with education backed by IIT, Mumbai. Both these institutes are famous and recognized worldwide.
(4)	Job Profile and his suitability	Shri Arup Basu has vast experience in management, administration and effective policy formulations for efficient and smooth running of the company. He has wide knowledge of the industry and markets that the company operates in, and has been instrumental in the turn around of the company over the last few years.
(5)	Remuneration Proposed	As mentioned in the abstract of remuneration given in the preceding paras.
(6)	Comparative remuneration profile with respect to industry, size of the company, profile of the position and person.	The proposed remuneration is commensurate with level skills, experience of the appointee. Shri Arup Basu has been re-appointed as Managing Director having superintendence and control of the Board of Directors of the Company to carry out such duties on day to day basis as entrusted to him. The remuneration proposed is in line with and prevailing in similar industry and having regard to the size of the Company.
(7)	Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.	There is no such pecuniary relation either directly or indirectly with the company, its promoters or any managerial personnel of the company.

III. OTHER INFORMATION:

(1)	Reasons of loss or inadequate profits.	The company has not made a profit during the recently completed financial year due to higher financial charges, reduction in margins, due to stiff competition resulting into effective capital remains on negative side.
(2)	Steps taken or proposed to be taken for improvement	Efforts taken for cost cutting to improve margins. Search for improved quality and value added products.
(3)	Expected increase in productivity and profits in measurable terms.	Strict steps will be taken to control fixed costs and inventory costs, which will enable Company to improve its turnover and profits in years to come with normative numbers calculated with reference to good returns from the Chemical Industry.

IV. DISCLOSURES:

(1)	The remuneration package of Shri Arup Basu has been enumerated above. A copy of the agreement entered with the Managing Director is available for inspection by the members of the Company at the Registered office of the Company between 11.00 a.m. to 1.00 p.m. on any working day except Saturdays and Sundays.
(2)	The required disclosure to the shareholders of the Company about remuneration package of the managerial person and all elements of remuneration package such as salary, benefits, bonuses, stock options, pensions etc., of all the directors; details of fixed component and performance linked incentives along with the performance criteria; Service contract, notice period, severance fees; Stock option details, if any and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable has been made in the Annual Report of the Company for the Financial Year 2011-12, wherever applicable .

The re-appointment of Shri Arup Basu as Managing Director of the company requires special majority of the members under Section 198, 269, 309, 310 read with provisions of sub-clause (C) of section II of part II of Schedule XIII of the Companies Act, 1956, for payment of remuneration. The Company has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon in terms of the proviso of sub clause (ii) of clause (C) of Section II of Part II of Schedule XIII of the Companies Act, 1956.

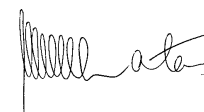
Consequently the said resolution for re-appointment of Shri Arup Basu as Managing Director for a period of three years on the remuneration as set out in the Agreement, requires approval of Members in General Meeting with special majority. Hence, your directors recommend the resolution for your approval.

As per the proviso given in the sub-clause (C) of section II of part II of Schedule XIII of the Act, the effective capital of the Company works out to negative as on the last date of financial year immediately preceding the financial year in which such re-appointment has been made and hence the said re-appointment also requires approval of Central Government.

Except Shri Arup Basu none of the Directors of the Company is in any way concerned or interested in the aforesaid resolution and recommend your acceptance thereof in the interest of the Company.

The notice and explanatory statement may be treated as an abstract of terms and memorandum of interest under section 302 of the Companies Act, 1956, regarding re-appointment of Shri Arup Basu as Managing Director of the Company to be circulated to the shareholders of the company and the requirement of the said act may be deemed to have been sufficiently complied with.

For and on behalf of the Board



Mahendra. K. Khatau
Chairman

Registered Office:
Plot No. 410/411,
Khatau House, Mogul Lane,
Mahim, Mumbai-400 016.
Date : 31st July, 2012
Place : Mumbai

DIRECTORS' REPORT

To,
The Members,
Refnol Resins and Chemicals Limited
Mumbai.

The Directors present their 31st Annual Report together with the Audited Statement of Accounts of Company for the year ended 31st March 2012.

1) FINANCIAL RESULTS:

The financial results of the Company for the year under review are as under: -

Particulars	2011-12	2010-11
Profit/(Loss) before Financial Costs and Depreciation	(62.24)	126.20
Less:- Interest & Financial Charges	145.60	106.61
Less:- Depreciation	15.41	15.26
Profit/(Loss) Before Tax	(223.25)	4.33
Tax Expenses	0.00	2.75
Short Provision of Tax in respect of earlier years	(0.43)	-
Net Profit/(Loss) After Tax	(223.68)	1.58
Profit available for Appropriation	(223.68)	1.58

2) OPERATIONS:

Despite continuous efforts to maintain and increase turnover and profitability, there was a sharp decline in sale by 21.70% from Rs. 2410.31 lacs to Rs. 1887.34 lacs. Exports decreased by 13.31% from Rs 752.17 lacs to Rs 652.07. The decline in turnover was largely due to reduction in the composite and coating resin businesses of the company both in domestic and export markets and sharply reduced profitability in these business due to rapid increase in raw material prices during the year, fuelled by increase in petroleum product prices. It was not possible in the short-run to increase business in the textile and garment chemicals area to compensate.

There was also a steep increase in interest and financial charges which went up by 36.57% as compared to the previous year.

Due to the combination of above factors the operations have resulted in a loss of Rs. 223.68 lacs for the last financial year.

3) MARKETING AND EXPORTS:

The textile and garment industry both in India and worldwide are in the grip of a sharp down turn in demand. To counter this, strenuous efforts have been made by the company to widen its customer base and strengthen its presence in new markets at home and abroad.

The company will continue its efforts to increase the sales in both export and domestic market in this year and is making every effort to increase business in the high value added products in the various business areas.

The company strives its best to market its products in India and abroad and enjoys the loyalty of a large group of customers for its various products. While maintaining the polyester resin business, extra efforts are being put in to increase the sales of textile chemicals, laundry and garment processing chemicals with a view to restore and increase profitability.

The operations of the company have in fact improved significantly over the few months since the end of the last financial year and we expect the positive trend to continue.

4) DIVIDEND:

In view of the accumulated losses, your Directors have not recommended any dividend for the year under review.

5) DEPOSITS:

Your Company has not accepted any public deposit within the meaning of the provisions of Section 58A of the Companies Act, 1956.

6) DIRECTORS:

The Board of Directors of your company has various executive and non-executive directors including independent directors who have wide and varied experience in different disciplines of corporate functioning. **Mr. Mahendra Khatau**, Director of the company, retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

7) INSURANCE:

All the insurable assets of the company including Plant & machinery, Buildings and Inventories are adequately insured.

8) SUBSIDIARY COMPANY:

Pursuant to the requirements of Section 212 of the Companies Act, 1956 the Annual Accounts of the Company's subsidiary viz., Refnol Overseas Limited for the period ended 31st March 2012 is annexed together with the statement showing the extent of the Company's interest therein.

9) MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT:

Your company manufactures textile sizing chemicals and auxiliaries, garment wash and laundry chemicals and polyester resins at Plot No. 23, G.I.D.C., Naroda, Ahmedabad, Gujarat. The company caters to both the domestic and international markets. The product range finds application in textile industry, garment processing industry and composites industry. The company has a marketing and distribution network for these chemicals with full technical service break-up. Rapid growth is expected in both the textile chemical and garment chemicals business and steps are being taken to strengthen and deeper the distribution and sales network of the Company.

10) CORPORATE GOVERNANCE:

Your company has taken adequate measures to ensure that the provision of corporate Governance as prescribed under clause 49 of the listing agreement with stock exchanges are complied with. A detailed report as per **Appendix 'I'** on corporate governance, along with auditors' certificate on its Compliance by the Company, forms part of this report.

11) DIRECTORS' RESPONSIBILITY STATEMENT:

It is hereby confirmed:

1. That in the preparation of the Accounts for the financial year ended 31st March 2012; the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. That 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 true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or loss of the Company for the year under review.
3. That 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.
4. That the Directors have prepared the annual accounts on a going concern basis.

12) EMPLOYEES:

Relations between the employees and the management continued to be cordial during the period under review. The Directors hereby place on record their appreciation for the efficient services rendered by the company's employees at all levels.

The Company has not paid any remuneration attracting the provisions of Companies (Particulars of Employees) Rules, 1975 read with Section 217(2A) of the Companies Act, 1956. Hence, no information is required to be appended to this report in this regard.

13) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Statement giving Particulars with respect to conservation of energy, technology absorption, foreign exchange earnings and out-go, in terms of Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars) Rules, 1988 is given in **Appendix 'II'** forming part of this Report.

14) LISTING:

Your company's shares are listed with The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai. (Stock Code: - 530815). The Company has already paid Annual Listing fees of The Stock Exchange, Mumbai for the ensuing financial year.

15) AUDITORS AND AUDITORS' REPORT:

The present Auditors of the Company M/s. G. P. Kapadia & Co., Chartered Accountants, retires at the ensuing Annual General Meeting and being eligible, offers themselves for reappointment.

The Auditors Report and the notes to the Accounts being self-explanatory, no further explanation is required.

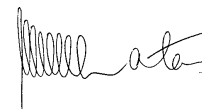
16) COMPLIANCE REPORT:

In accordance with Section 383A of the Companies Act, 1956, the Company has obtained a Certificate from Company Secretary in the whole time practice confirming that the Company has complied with the provisions of the Companies Act, 1956 as mentioned in the Certificate, and a copy of such certificate is annexed to this report.

17) ACKNOWLEDGEMENT:

Your Directors record their appreciation of the Co-operation and assistance extended by Financial Institutions, Banks and Government Authorities as well as valued customers from time to time. They also record their appreciation of the devoted services rendered by the Executives, Staff Members and Workers of the Company.

For and on behalf of the Board,



Mahendra K. Khatau
Chairman

Date : 29th May, 2012
Place : Mumbai

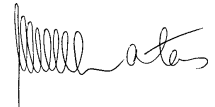
**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS
AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT**

This is to confirm that Company has adopted a Code of Conduct for its employees including the Managing Director. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors. Both these Codes are available on the Company's web site.

I confirm that the Company has in respect of the financial year ended on 31st March 2012, received from the senior management team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means the Managing Director, Senior General Manager and employees in the Executive cadre as on March 31, 2012.

For and on behalf of the Board,



Mahendra K. Khatau
Chairman

Date : 29th May, 2012
Place : Mumbai

CIN No.:- L24200MH1980PLC023507

Nominal Capital:-Rs. 4,00,00,000/-

COMPLIANCE CERTIFICATE

To,
The Members,
M/S. REFNOL RESINS AND CHEMICALS LIMITED
410-411, Khatau House,
Mogul Lane, Mahim (W),
Mumbai-400016

I have examined the registers, records, books and papers of **M/s. Refnol Resins and Chemicals Limited** as required to be maintained under the **Companies Act 1956**, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on **31st March 2012**. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and representatives,

I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed online e-forms and returns as stated in **Annexure 'B'** to this certificate, with the Ministry of Corporate Affairs Portal (Registrar of Companies, Maharashtra) with the proper filling fees as per schedule- X read with section 611 of the Act during the year under review. However, no form or return was filed with Regional Director, Central Government Company Law Board or other authorities during the financial year under review.
3. The Company being a public limited Company having paid-up capital of Rs. 3,08,99,000/-during the year under review.
4. The Board of Directors duly met Seven(7) times respectively on 30th April 2011, 14th May 2011, 5th July 2011, 13th August 2011, 14th November 2011, 27th January 2012 and 15th February 2012 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Books maintained for the purpose.
5. The Company has closed its register of members from 25th September 2011 to 29th September 2011 (both days inclusive) and necessary compliance of Section 154 of the Act has been made during the financial year under review.
6. The annual general meeting for the financial year ended on 31st March 2011 was held on 29th September 2011 after giving due notice to the members of the Company and the resolutions passed there at were duly recorded in Minutes Book maintained for the purpose.
7. No extra-ordinary general meeting was held during the financial year.
8. As per the information and explanation furnished to us by the management, the Company has not advanced any loans to the persons referred to in Section 295 of the Act of during the period under review.
9. As, confirmed by the management, the Company has entered in to the transactions falling within the purview of Section 297 of the Act at cash and prevailing market price and hence exempt u/s. 297 of the Act during the year under review.
10. The Company has made necessary entries in the register maintained under Section 301 of the Act during the year under review.
11. The Company has not passed any resolution under Section 314 of the Act during the year under review.
12. The Company has not issued any duplicate certificates during the financial year.
13. The Company has:
 - (a) delivered all the certificates on lodgment thereof for transfer of securities in accordance with the provisions of the Act. However the Company has not made any allotment during the year under review.
 - (b) not declared any dividend during the financial year.
 - (c) was not required to post warrants to any members of the Company as no dividend was declared during the financial year.
 - (d) no amount lying in the Books of Account in respect of unpaid dividend, application money due for refund, matured deposits, matured debentures and the interest accrued thereon.
 - (e) complied with the provisions of Section 217 of the Act.

14. The Board of Directors of the Company is duly constituted. There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the year under review.
15. The Company has not made any appointment and/or reappointment of any Managing Director and/or Whole time Director and/or Manager during the financial year under review.
16. The Company has not appointed any sole selling agents during the financial year.
17. The company has not obtained any approval from the Central Government, Regional Director, Company Law Board, Registrar of Companies and/or such authorities prescribed under the various provisions of the act during the year under review.
18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year ended on 31st March 2012.
21. There being no preference shares or debentures hence question of redemption does not arise.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not accepted any deposits falling within the purview of Section 58A during the financial year under review. However, the amount accepted from relatives of directors is in the nature of loans.
24. The amount borrowed by the Company from directors, member, public, financial institutions, banks and other during the financial year ending 31st March 2012 is / are within the borrowing limits of the company and that necessary resolutions as per section 293(1)(d) of the Act have been passed.
25. The Company has not made any investment in Bodies Corporate during the year under review. However the investments already made are in accordance with the limits prescribed under Section 372A of the Act and the Company has made necessary entries in the register kept for the purpose.
26. The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from one state to another during the financial year under scrutiny.
27. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the financial year under scrutiny.
28. The Company has not altered the provisions of the memorandum with respect to name of the Company during the financial year under scrutiny.
29. The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the financial year under scrutiny.
30. The Company has adopted the new set of Articles of Association after obtaining the approval of the members in the Annual General Meeting held on 29th September 2011 and the said Articles of Association have been duly registered with Registrar of Companies.
31. As confirmed by the management, there were no prosecutions initiated against or show cause notices received by the Company, during the financial year, for offences under the Act.
32. As confirmed by the management, the Company has not received any money as security from its employees during the financial year.
33. As confirmed by the management, the Company has not been generally regular in depositing both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

For, **Sandip Sheth & Associates**
Company Secretaries

(Sandip Sheth)
Proprietor
C.P. No. 4354

Place : Ahmedabad
Date : 29th May, 2012

ANNEXURE-'A'

Statutory & Other Registers maintained by the Company/RTA:

1. Register of Members	u/s. 150(1)
2. Minutes of the General Meetings	u/s. 193(1)
3. Minutes of the Board Meetings	u/s. 193(1)
4. Register of Contracts	u/s. 301(1)
5. Register of Directors, Managing Directors etc.	u/s. 303(1)
6. Register of Director's Shareholdings	u/s. 307(1)
7. Register of Charges	u/s. 146
8. Register of Investments	u/s. 372A
9. Register of Transfers	u/s. 108

ANNEXURE-'B'

E-forms and returns filed by the Company with Ministry of Corporate Affairs Portal on-line during the financial year ended 31st March 2012.

Sr. No.	Form No.	Filed U/S	Details of Forms	Period of Filing As per Law	Date of Actual filing	Remarks
1	Schedule-V (e-form 20B)	159	Annual Return made upto 29.09.11	Within 60 days from AGM Date	25.11.11	Filled vide SRN No. P80447188.
2	Schedule-VI (e-form 23AC & 23ACA)	220	Balance Sheet as at 31.03.11	Within due date i.e. upto 31.12.11	31.12.11	Filled vide SRN No. P84261411.
3	Compliance Certificate E-form-66	383A (1)	To be attached with Board report	Within 30 Days From AGM date	25.10.11	Filled vide SRN No. P75414938.
4	e-Form No. 23	192	Adoption of New Articles of Association of the Company	Within 30 days from the date of passing resolution	25.10.11	Filled vide SRN No. B23512502.

Signature for Annexure 'A' and Annexure 'B'

For, **Sandip Sheth & Associates**
Company Secretaries

(Sandip Sheth)
Proprietor
C.P. No. 4354

Place : Ahmedabad
Date : 29th May, 2012

APPENDIX - I
REPORT ON CORPORATE GOVERNANCE
(Pursuant to Clause 49 of the Listing Agreement)

1. Company's Philosophy on Corporate Governance:

As a policy Refinol Resins and Chemicals Limited (RRCL) gives utmost importance to achieving high standards of Corporate Governance and is committed to achieve the highest level of Corporate Governance in order to enhance long-term shareholder value by integration of systems and actions for enhancement of corporate performance. The Company places due emphasis on regulatory compliance.

The Company gives equal importance for maintaining as well as improving the quality of its products and to achieve this, the Company carries out continuous product developments and quality controls. Over the years, the Company has shown a commitment towards effective corporate governance and has always been at the forefront of benchmarking its internal systems and policies with global standards. Consistent with this commitment, RRCL believes that it needs to show a great degree of responsibility and accountability.

The Company gives utmost importance for developing a team of competitive professional managers. Overall, policy is set by the Board of Directors and implemented by a team of professional managers in their respective field. The Company gives fair amount of freedom to the employees to get their best contribution to the Company and rewards and incentives are given in recognition thereof.

2. Board of Directors:

Composition & size of the Board

The Board of Directors shall have optimum combination of the Executive as well as Non-executive directors with not less than fifty per cent of the Board of Directors comprising of non executive directors. In case the company has Non executive chairman which also a promoter of the Company, at least half of the Board should comprise of independent directors.

The present strength of the Board is six Directors. The Board of Directors of the Company comprises of optimum mix of both Executive and Non-executive Directors with independent Directors. The Board members consist of persons with professional expertise and experience in various fields of Finance, Accounts, Management, Law, Labour Welfare etc.

The details of the Directors on the Board of your Company are given below:

Promoters Directors

Name	Date of Appointment	Designation
Mr. Mahendra Khatau	01/07/1994	Non Executive Director & Chairman
Mrs. Asha M Khatau	30/12/1993	Non Executive Director

Executive Director

Name	Date of Appointment	Designation
Mr. Arup Basu	15/06/1999	Managing Director

Independent Director

Name	Date of Appointment	Designation
Ms. Devaki J. Jariwala	31/01/2003	Non Executive Director
Mr. Bhalchandra Sontakke	01/10/2004	Non Executive Director
Mr. S. Rajgopalan	20/05/2005	Non Executive Director

Number of Board Meeting held during the year along with the dates of Meeting

The Board shall meet at least four times a year, with a maximum time gap of three month between any two meetings.

Seven Board Meetings were held during the year 2011-12 the dates on which the said meetings were held are as follows:

- | | | | |
|-----------------------|----------------------|-----------------------|---------------------|
| 1) 30th April 2011 | 2) 14th May 2011 | 3) 5th July 2011 | 4) 13th August 2011 |
| 5) 14th November 2011 | 6) 27th January 2012 | 7) 15th February 2012 | |

Attendance of each Director at Board Meeting and the last Annual General Meeting (AGM) and the number of Companies and Committees where he/she is Director/Member are as under.

Name of Director	No. of Board Meeting Attended	Attendance at the last AGM	No. of Directorship in other Companies (Excluding Pvt. Ltd. Companies)	No. of specified Committees (Other than RRCL) in which Chairman / Member	
				Chairman	Member
Mr. Mahendra K. Khatau	7	Yes	3	-	-
Mrs. Asha M. Khatau	7	Yes	3	-	-
Mr. Arup Basu	7	Yes	0	-	-
Ms. Devaki J. Jariwala	7	Yes	3	-	-
Mr. Bhalchandra Sontakke	7	Yes	1	-	-
Mr. S. Rajgopalan	7	Yes	1	-	-

❖ The committees mentioned above include only Audit Committee and Share holders Investors' Grievance Committee.

❖ None of the Directors of the Company was a member of more than ten Committees of Boards as stipulated under Clause 49 of the Listing Agreement nor was a Chairman of more than five such committees across all companies in which he was a director.

Information about Directors seeking appointment and re-appointment:

Shri Mahendra Khatau, director of the company is seeking re-appointment at the ensuing Annual General Meeting.

Mr. Mahendra Khatau aged about 54 years, is a graduate, having over 29 years of experience. He possesses excellent administrative skills and knowledge. His skill and knowledge is of immense help to the Company in keeping abreast cordial relations of the employees with management cadre. His re-appointment is also required to make proper composition of Board of Directors consisting of optimum mix of independent and other directors.

Mr. Mahendra Khatau has directorship in following company;

01. MKK Holdings Pvt. Ltd.
02. Vindhyapriya Holdings Pvt. Ltd.
03. Khatau Makanji and Company Pvt. Ltd.
04. Mulraj Khatau and Sons Ltd.
05. Indokem Ltd.
06. Priyanilgiri Holdings Pvt. Ltd.
07. Khatau Leasing and Finance Company Pvt. Ltd.
08. Indokem Exports Ltd.
09. Prism Plantations Pvt. Ltd.
10. Khatau Holdings and Trading Company Pvt. Ltd.
11. Prerana Leasing & Finvest Pvt. Ltd.
12. Khatau Capacitors Pvt. Ltd.

Mr. Arup Basu, Managing Director of the Company whose period of office expires on 14th June 2012 and be re-appointed as the Managing Director of the Company w.e.f. 15th June 2012 for a period of three years, subject to the approval of the board members, shareholders of the company and of the Central Government, on the remuneration and other terms and conditions as mentioned in the resolution more particularly described in the agreement.

Mr. Arup Basu aged about 58 years is a B. Tech, Chemical Engineering from IIT, Bombay and has obtained a postgraduate management degree from IIM, Ahmedabad. He is with company since last 32 years more particularly as Managing Director of the Company since last thirteen years. He has vast experience in management, administration and effective policy formulations for efficient and smooth running of the company.

Mr. Arup Basu has also furnished to the Company Form DD-A under Companies (Disqualification of Directors under section 274(1)(g) of the Companies Act, 1956) Rules, 2003, stating that he is not disqualified for being re-appointed as Managing Director of the Company.

Mr. Arup Basu does not hold directorship in any other companies other than Refnol Resins and Chemicals Limited.

Information placed before the Board of Directors:

All major decisions regarding resource mobilization, capital expenditure, etc. are considered by the Board, in addition to day-to-day matters, which are statutorily required to be placed before the Board of Directors for its approval. Following information is regularly put up before the Board for its consideration and approval:

- Review of operational results.
- Quarterly financial results.
- Minutes of the meeting of Audit Committee and Shareholder's/Investors' Grievance Committee of the Board.
- Compliance with various statutory requirements.

The Board is informed of all material, financial and commercial decision from time to time.

3. Audit Committee:

The Audit Committee shall have minimum three directors as members. Two-Third of the members of audit committee shall be independent director. Chairman of the Audit committee shall be an independent director.

The Audit Committee of the Company comprises of following three Non-Executive Directors and all of them are Independent Director:

- | | |
|-----------------------------|------------------------------|
| 1. Mr. S. Rajgopalan | Chairman/NED and Independent |
| 2. Ms. Devaki J. Jariwala | Member/NED and Independent |
| 3. Mr. Bhalchandra Sontakke | Member/NED and Independent |

Meeting and the attendance during the year

The Audit Committee should meet at least four times in a year and not more than four months elapse between two meetings.

Four meetings of the Audit Committee were held during the year, which were attended by all Members present on the Board.

The power and role of the Audit Committee are as per Guidelines set out in Clause 49 of the Listing Agreement with the Stock Exchange.

The Terms of the reference of the Audit Committee include approving and implementing the audit procedures and techniques, reviewing the financial reporting systems, internal control systems and control procedures and ensuring compliance with the regulatory guidelines. The Audit Committee met prior to the finalization of Accounts for the year ended 31st March 2012.

The details of attendance of the members at these Audit Committee Meetings are as follows:

Name	Attendance at Audit Committee Meeting held on;			
	14.05.11	13.08.11	14.11.11	15.02.12
Mr. S. Rajgopalan	Yes	Yes	Yes	Yes
Ms. Devaki J. Jariwala	Yes	Yes	Yes	Yes
Mr. Bhalchandra Sontakke	Yes	Yes	Yes	Yes

The Chairman of the Audit Committee was present at 30th Annual General Meeting of the Company held on 29th September 2011.

4. Remuneration Committee:

- i) The Company constituted remuneration Committee of Directors on 27th June 2005. However, No remuneration committee meeting was held during the financial year.
- ii) The broad terms of reference of the remuneration Committee are as under;
 - a) To approve annual remuneration plan of the Company.
 - b) Such other matters as the Board may time to time request the Remuneration committee to examine and recommend/ approve.
- iii) The Chairman of the Remuneration Committee was present at the Last Annual General Meeting of the Company held on 29th September 2011.
- iv) The Company does not have any ESOP Scheme.
- v) Remuneration Policy:

The Company's remuneration policy is driven by the success and performance of the individual employee and the Company. Through its compensation programme, the company endeavors to attract, retain, develop and motivate a high performance workforce. The company pays remuneration by way of salary, benefits, perquisites and allowances to its Managing Director. Annual increments are decided by the Remuneration Committee within the salary scale approved by the Members and Central Government.

The Company pays Sitting Fees of Rs. 750 per meeting to its Non-Executive Directors (NEDs) for attending the meeting of the Board. However, the Company does not pay any sitting fees to the members for attending any other committee meetings.

The details of the remuneration paid to the directors for the year 2011-12 are as follows: (Rs. in lacs.)

Directors	Salary	Perquisites	FixedCommission	Sitting Fees	Total
Mr. Mahendra K. Khatau	—	—	—	0.053	0.053
Mrs. Asha M. Khatau	—	—	—	0.053	0.053
Ms. Devaki J. Jariwala	—	—	—	0.053	0.053
Mr. Bhalchandra Sontakke	—	—	—	0.053	0.053
Mr. S. Rajgopalan	—	—	—	0.053	0.053
Mr. Arup Basu	10.14	9.22	—	—	19.36

Company has not issued any convertible instrument. However, the details of the Shares held by Non-Executive Directors as at 31st March 2012 are as follows:

Sr. No.	Name of Non-Executive Director	No. of Shares Held
1	Mr. Mahendra K. Khatau	300
2	Mrs. Asha M. Khatau	Nil
3	Ms. Devaki J. Jariwala	Nil
4	Mr. Bhalchandra Sontakke	Nil
5	Mr. S. Rajgopalan	Nil

5. Shareholders/Investors' Grievance Committee:

RRCL constituted a Shareholders/Investors' Grievance Committee to ensure timely services to the Member/Investors and to supervise the performance of the Registrar and Share Transfer Agent and to provide the best services to the Investors. It is also empowered to approve transfer, transmission and transposition of shares, issue duplicate share certificates, etc. from time to time.

The Committee consists of following three Non-Executive Directors, as under;

1. Mrs. Asha M. Khatau Chairperson/NED
2. Mr. Mahendra K. Khatau Member/NED
3. Ms. Devaki J. Jariwala Member/NED and Independent

Mrs. Asha. M. Khatau, who is a non-executive director, is a Chairperson of the Committee and Mr. Arup Basu, Managing Director of the Company is designated as Compliance Officer appointed by the Board.

The number of shareholder's complaints received through Stock Exchange or SEBI during the year 2011-12 and status of the same are as follows:

Complaints received from	No. of Complaints received	No. of Complaints disposed off satisfactorily	No. of Complaints outstanding as on 31.03.2012
SEBI	None	None	None
Shareholders	None	None	None

All the complaints/queries are promptly attended and resolved to the satisfaction of shareholders. All shares received for transfer were registered and dispatched within the stipulated time, wherever documents were correct and valid in all respects.

6. General Body Meetings:

Details of the location and time of last three Annual General Meetings (AGM), and the details of the resolutions passed are as under.

AGM for the F.Y. ended on	Date and Time of AGM	Location	Particulars of Special resolution passed, if any
2010-11	29th Sept'11 at 12.00 Noon	Khatau House, 410/411, Mogul Lane, Mahim (W), MUMBAI-400 016.	Special Resolution for adoption of new set of Articles of Association.
2009-10	23rd Sept'10 at 11.00 A.M	45/47, Mint Chambers, 103/104, 1st Floor, Mint Road, opp. G.P.O., Fort, MUMBAI-400 001.	NONE
2008-09	24th Sept'09 at 12.00 noon	Khatau House, 410/411, Mogul Lane, Mahim (W), MUMBAI-400 016.	Special Resolution for re-appointment of Managing Director

No Extra Ordinary General Meeting was held during any of the last three financial years.

The shareholders passed all the resolutions set out in the respective notices. No item requiring for postal ballot under the statute was applicable at the aforesaid meetings. At the forthcoming AGM, there is no item on the agenda that needs approval by postal ballot.

7. Disclosure:

1. There were no transactions of material nature between the Company and its Directors or Management and their relatives or Promoters that may have potential conflict with the interest of the Company. Transactions with the related parties are disclosed in Note No. 29 of the Accounts in the Annual Report.
2. The Company continuously endeavors to ensure its employees about their right of access are communicated through means of internal circulars. Your Company has always followed fair business and corporate practices. The Company affirms that no personnel have been denied access to the audit committee.
3. As a non-mandatory requirements your Company has adopted the following clauses;
The Company has set up Remuneration Committee to determine remuneration package of executive director.

8. Means of Communication with shareholders:

- (i) Quarterly Results : Quarterly results were taken on record by the Board of Directors and submitted to the Stock Exchanges in terms of the requirements of clause 41 of the Listing Agreement. Quarterly results are normally published in English and Marathi newspapers.
- (ii) Website : www.refnol.com
- (iii) Whether it also displays official News releases; : Press release, if any made by the Company are also displayed from time to time.
- (iv) The presentations made to institutional investors or to the analysts : No such presentation has been made during the year.
- (v) Whether MD&A is Part of Annual Report : Yes

9. General Shareholders Information :

- (i) Annual General Meeting : Date : 6th September 2012
Time : 12:00 noon.
Venue: 410/411, Khatau House, Mogul Lane, Mahim (west), Mumbai-400 016.
- (ii) Financial Calendar : Period Tentative Schedule
- | | |
|---|---|
| 1st quarter results ending 30th June | Within 45 days of end of the quarter |
| 2nd quarter results ending 30th September | Within 45 days of end of the quarter |
| 3rd quarter results ending 31st December | Within 45 days of end of the quarter |
| 4th quarter results ending 31st March | Within 60 days of the end of the year in case of Audited Results. |
- (iii) Book Closure dates : 5th September 2012 to 6th September 2012 (Both days inclusive)
- (iv) Dividend Payment Date : The Company has not declared any dividend during last three years.
- (v) Listing on Stock Exchanges : Your Company's share is listed with The Bombay Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai -1. The Company is regular in payment of Annual Listing fees of The Stock Exchange, Mumbai for the respective financial year.
- (vi) Stock Code : BSE - 530815
- (vii) Market Price Data : As Below

Month wise high/low prices during last year at BSE are as under:

Period	BSE		No. of Shares Traded
	High (Rs.)	Low (Rs.)	
Apr' 11	12.02	10.66	61925
May' 11	14.84	10.59	40624
Jun' 11	16.40	9.74	51813
July' 11	10.65	9.03	74216
Aug' 11	10.18	8.79	52734
Sept' 11	10.18	8.86	28712
Oct' 11	10.00	8.92	10588
Nov' 11	9.47	8.40	32191
Dec' 11	9.35	8.00	49500
Jan' 12	9.00	7.62	28845
Feb' 12	8.37	7.40	16661
Mar' 12	9.81	7.40	34446

- (viii) Registrar & Transfer Agents Address : Sharepro Services Private Limited
Office No. 416 to 420, Devnandan Mall, Opp. Sanyas Ashram, Ashram Road, Ellisbridge, Ahmedabad-380006.
(+91) (079) 26582381/85
- (ix) Share Transfer System : The Company has hired the services of SEBI registered Registrar and Transfer Agent, Sharepro Services (India) Pvt. Ltd for physical transfer as well as electronic connectivity.

- (x) Distribution of Shareholding :
a. Distribution of Shareholding as on 31st March 2012.

Share Holding of Nominal value		Share Holders		Share Amount	
Rs. (1)		Number (2)	% of Total (3)	In Rs. (4)	% of Total (5)
Upto	5000	807	65.34%	1988730	6.44%
5001	To 10000	227	18.38%	1951430	6.32%
10001	To 20000	84	6.80%	1329400	4.30%
20001	To 30000	33	2.67%	859360	2.78%
30001	To 40000	18	1.46%	669300	2.17%
40001	To 50000	14	1.13%	652390	2.11%
50001	To 100000	29	2.35%	2067140	6.68%
100001	And 200000	11	0.89%	1755250	5.68%
	Above 200000	11	0.98%	19626000	63.52%
TOTAL		1234	100.00%	30899000	100.00%

(Note:- These shares does not includes 4,33,600 forfeited shares.)

- b. Shareholding pattern as on 31st March, 2012.

Sr. No.	Category	No. of Shares Held	% of Total Shares
1	Promoters	16,25,000	52.59%
2	Mutual Funds/UTI	0	0.00%
3	Private Corporate Bodies	296388	9.59%
4	Public	1059115	34.28%
5	NRIs/OCBs	97100	3.14%
6	Any Other	12297	0.40%
	TOTAL	3089900	100.00%

(Note: - These shares does not includes 4,33,600 forfeited shares.)

- (xi) Dematerialization of Shares and Liquidity:

Number of shares held in dematerialized and physical mode as on 31st March 2012.

Particulars	No. of Equity Shares	% to Share Capital
NSDL	2299775	74.43%
CDSL	524805	16.98%
Physical	265320	8.59%
TOTAL	3089900	100%

(Note:- These shares does not includes 4,33,600 forfeited shares.)

As per SEBI's Directive, effective from 27th November 2000 trading in equity shares of the Company has been made compulsory in dematerialized form for all the categories of investors. The Company has already established connectivity with National Securities Depository Ltd. and Central Securities Depository Ltd. through Sharepro Services Private Limited Registry Private Limited, Registrar & Share Transfer Agent, so as to facilitate the dematerialization of its shares.

- (xii) Outstanding GDRs/ADRs/warrants or any convertible instruments, conversion date and likely impact on Equity : The Company has not issued any of these instruments.
- (xiii) Plant Locations : Plot No. 23, Phase-III, G.I.D.C, Naroda, Ahmedabad-382 330.
- (xiv) Address for Correspondence : 1. Share Transfer in Physical Form and other communication in that regard including share certificates, dividend and change of address etc., may be addressed to our Registrar & Share Transfer Agents at the address mentioned above.
2. Shareholders may also contact the Compliance Officer, Refnol Resins And Chemicals Limited, Plot No. 23, Phase-III, G.I.D.C Naroda, Ahmedabad-382 330 for any assistance.
3. Shareholders holding shares in electronic mode should address all their correspondence to their respective depository participants.

Auditors' Certificate on Corporate Governance

To,
The Members,
Refinol Resins & Chemicals Ltd.

We have examined the compliance of conditions of Corporate Governance by Refinol Resins & Chemicals Limited for the year ended March 31, 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination has been limited to a review procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best our information and accoding to the explanations given to us and the repretations made by the Directors and the Managment, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **G. P. Kapadia & Co.**
Chartered Accountants
(Registration No. 104768 w)

Place : Ahmedabad
Date : May 29th, 2012

Uday. R. Parikh
Partner
Membership No. : 10217

APPENDIX - II

Information in accordance with the Companies (Disclosures of Particulars in the Report of Directors) Rules, 1988 and forming part of Directors' Report for the year ended on 31st March, 2012

CONSERVATION OF ENERGY / TECHNOLOGY ABSORPTION / FOREIGN EXCHANGE EARNINGS AND OUTGO.**A. CONSERVATION OF ENERGY**

- (a) Measures taken : Energy consumption is regularly monitored and measures taken to rectify in case of deviation from norms. Regular maintenance of efficiencies are done.
- (b) Investment and Proposals : No major investment made.
- (c) Impact of the above measures : The Company's operations do not involve substantial consumption of energy in comparison to the cost of production, however constant attention and maintenance of norms has led to better control.
- (d) Total energy consumption and energy consumption per unit of production is as per Form "A".

FORM A**Disclosure of particulars with respect to Conservation of Energy : 2011-12****I Power and Fuel Consumption**

	Units	<u>Current Year</u>	<u>Previous Year</u>
1 Electricity			
(a) Purchase from Electricity Board	Kwh	417094	552854
Total amount	Rs. in lacs	24.44	30.66
Average Cost/Unit	Rs / Kwh	5.86	5.55
(b) Own Generation	Kwh	12000	8106
Total Amount	Rs. in lacs	0.74	0.67
Average Cost/Unit	Rs / Kwh	6.16	8.28
2 Others (LSHS / LDO)			
Quantity	Ltrs	106586	2086160
Total Cost	Rs. in lacs	44.34	67.90
Average Rate	Rs / Ltrs	41.60	32.55

II Consumption per unit of Production

Products	Quantity	Item	Unit/Qty	<u>Current Year</u>	<u>Previous Year</u>
Chemicals	3184647.93 kgs	Electricity	0.13 Kwh/Kg.	0.76 Rs./Kg.	0.78 Rs./kg.
		Furnace Oil / LDO	0.03 Ltrs/Kg.	1.39 Rs./Kg.	1.72 Rs./kg.

B. TECHNOLOGY ABSORPTION**FORM B****Disclosure of Particulars with respect to Technology Absorption : 2011-12****(I) Research and Development :****1. Specific area in which R & D is carried out by the company :**

The R & D activities of the company are focussed on the following objectives :

- (i) Substitution of imported raw materials and across the spectrum of available raw materials to optimise cost and improve product properties.
- (ii) Improving performance of existing products and modifying to meet customers requirements.
- (iii) Development of new products to meet specific applications.
- (iv) Improvement in process technology.

2. Benefit derived as a result of R & D :

- (i) Company has commercialised a number of new grades of resins as well as garment chemicals and textile chemicals for specific application in export and domestic markets.
- (ii) Improvement in product quality and consistency .
- (iii) Product and packaging made suitable for export markets.

3. Future Plan of action :

The company is focussed on continuous improvement in product quality and to develop new products in response to market requirements.

4. Expenditure on R & D

- (i) Capital : Nil
- (ii) Recurring : Rs. 3.40 Lacs

(II) Technology, Absorption, Adoption and Innovation :**1 Efforts, in brief made towards technology absorption, adoption and innovation**

Technology development in-house is a continuous process and is tailored to meet changing requirement of the market. The Company has a full-fledged R & D division with equipment and instruments conforming to global standards to carry out Research & Development programmes. Continuous research is carried out for process improvements.

2 Benefit derived as a result of the above efforts

The company has been able to satisfactorily produce sizing chemicals, which are import substitutes and introduced a wide range of synthetic resins and garment and textile chemicals tailored to the requirement of domestic and overseas customers.

C. FOREIGN EXCHANGE USED & EARNED

(a) Activities relating to exports, initiatives to increase exports, development of new Export market for products and service and export plans : As mentioned in the Directors' Report

(b) Total foreign exchange used & earned **(Rupees in lacs)**

(i) Foreign exchange earned

- FOB Value of Exports : Rs. 589.77

(ii) CIF value of imports : Rs. 79.99

(iii) Expenditure in foreign exchange

- Travelling : Rs. 2.19

- Professional fees : Rs. 0.78

- Commission : Rs. 23.49

AUDITORS' REPORT**AUDITORS' REPORT TO THE SHAREHOLDERS**

1. We have audited the attached Balance Sheet of REFNOL RESINS AND CHEMICALS LIMITED as at March 31, 2012, the statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material mis-statements. An audit includes examining on test basis evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 ("the Order") issued by the Central Government in terms of Sub-section 4A of Section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss and Cash Flow Statements dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2012 from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with significant accounting policies and notes there on give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - (ii) in the case of Statement of Profit & Loss, of the 'Loss' of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **G. P. Kapadia & Co.**
Chartered Accountants
(Registration No. 104768 w)

Place : Ahmedabad
Date : May 29th, 2012

Uday. R. Parikh
Partner
Membership No. : 10217

ANNEXURE TO AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

1. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c. No substantial part of Fixed Assets has been disposed off during the year, which has bearing on the going concern assumption.
2. In respect of its inventories:
 - a. As explained to us, inventories have been physically verified by the management at reasonable intervals during the year.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. The Company has maintained proper records of inventories. As explained to us, there was no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. The company has neither granted nor taken any secured or unsecured loans to and from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the clauses 4(iii) (b) to (g) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5.
 - a. According to the information and explanations given to us, we are of the opinion that during the year, the particulars of the contracts / arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the Register required to be maintained under that section.
 - b. According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956, and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. According to information and explanations given to us, the company has not accepted any deposits from public. Therefore, provisions of clause (iv) of paragraph 4 of the order are not applicable to the company.
7. In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
8. The Central Government has prescribed maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956 in respect of certain manufacturing activities of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
9. In respect of statutory dues:
 - a. According to the information and explanations give to us and the records of the company examined by us, in our opinion, the company is not regular in depositing the undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Custom Duty, Excise Duty, Cess and other Material statutory dues as applicable with the appropriate authorities.

- b. The undisputed statutory due of Income Tax remains unpaid for more than six months as at 31st March 2012 - Rs. 2.30 lac.
- c. The disputed statutory dues, that have not been deposited on account of matters pending before appropriate authorities is as under :

Sr. No.	Name of the Statute	Nature of the Dues	Period to which amount relates	Forum where Dispute is pending	Amount (Rs. In lacs)
NIL					

10. The company has accumulated losses at the end of the year are more than fifty percent of its networth. The company has incurred cash loss in the current financial year but not in the immediately preceding financial year.
11. According to the books of account and records of the company, there has been no default in repayment of dues to bank.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, on the basis of information and explanations given to us, the term loans have been applied for the purpose for which the loans were obtained.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, funds raised on short term basis have, prima facie, not been used during the year for long term investment.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures.
20. The Company has not raised any money by way of public issue during the year.
21. In our opinion and according to the information and explanations given to us, no material frauds on or by the company has been noticed or reported during the year.

For **G. P. Kapadia & Co.**
Chartered Accountants
(Registration No. 104768 w)

Place : Ahmedabad
Date : May 29th, 2012

Uday. R. Parikh
Partner
Membership No. : 10217

BALANCE SHEET AS AT 31ST MARCH 2012

(Rs. in lacs)

	Notes	As At 31st March, 2012	As At 31st March, 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	330.67	330.67
Reserves and Surplus	3	167.75	415.10
		<u>498.42</u>	<u>745.77</u>
Non-current liabilities			
Long-term borrowings	4	—	5.68
Other Long term liabilities	5	234.74	234.42
Long-term provisions	6	40.89	41.09
		<u>275.63</u>	<u>281.19</u>
Current liabilities			
Short-term borrowings	7	610.22	481.62
Trade payables	8	372.87	467.74
Other current liabilities	9	33.13	29.65
Short-term provisions	10	48.62	32.88
		<u>1,064.84</u>	<u>1,011.89</u>
TOTAL		<u>1838.89</u>	<u>2038.85</u>
ASSETS			
Non-current assets			
Fixed assets (Tangible)	11	593.77	633.97
Non-current investment	12	89.13	89.13
Long-term loans & advances	13	101.69	104.34
		<u>784.59</u>	<u>827.44</u>
Current Assets			
Inventories	14	326.48	335.13
Trade receivables	15	600.46	737.44
Cash and cash equivalents	16	66.36	72.55
Short-term loans and advances	17	61.00	66.29
		<u>1054.30</u>	<u>1211.41</u>
TOTAL		<u>1838.89</u>	<u>2038.85</u>
Significant Accounting Policies	1		
Accompanying notes form integral part of the financial statements			

In terms of our Report of even date
For **G. P. KAPADIA & CO.**
Chartered Accountants

For and on behalf of the Board,

Uday R. Parikh
Partner

Mahendra K. Khatau
Chairman

Arup Basu
Managing Director

Place : Ahmedabad
Date : May 29th, 2012

Place : Mumbai
Date : May 29th, 2012

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

	Notes	2011-2012	(Rs. in lacs) 2010-2011	
INCOME				
Revenue from operations	18	1887.34	2410.30	
Other Income	19	8.21	39.08	
		1895.55	2449.38	
EXPENSES				
Cost of Materials Consumed	20	1195.27	1563.17	
Change in Inventories	21	(0.31)	(55.70)	
Employees benefit expenses	22	249.17	264.64	
Financial Costs	23	145.60	106.61	
Other expenses	24	513.66	551.07	
Depreciation and amortization expense		39.08	38.93	
Less : Transfer from Revaluation Reserve		23.67	15.41	23.67 15.26
		2118.80	2445.05	
Profit/(Loss) before taxes		(223.25)	4.33	
Tax expense		—	2.75	
Short provision of tax in respect of earlier year		(0.43)	—	
Net Profit/(Loss) After Tax		(223.68)	1.58	
Basic and diluted earnings per share (in Rs.)		(7.24)	0.05	
Significant Accounting Policies	1			
Accompanying notes form integral part of the financial statements				

In terms of our Report of even date
For **G. P. KAPADIA & CO.**
Chartered Accountants

For and on behalf of the Board,

Uday R. Parikh
Partner

Mahendra K. Khatau
Chairman

Arup Basu
Managing Director

Place : Ahmedabad
Date : May 29th, 2012

Place : Mumbai
Date : May 29th, 2012

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

I] ACCOUNTING CONCEPTS

The financial accounts are prepared under the historical cost convention on the accrual basis of accounting and in accordance with Accounting Standards.

II] FIXED ASSETS

Fixed assets are stated at cost (including other expenses related to acquisition and installation) less accumulated depreciation / amortisation adjusted by revaluation of certain fixed assets.

III] DEPRECIATION

Depreciation on fixed assets including revalued assets i.e. Building and Plant & Machineries is provided on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. The cost of lease hold land (revalued) is amortized over the unexpired period of lease from the date of lease.

IV] INVESTMENTS

Investments are shown at cost.

V] INVENTORIES

Inventories are valued at lower cost and Net Realizable value.

The cost of raw materials, consumables and packing materials is computed on first-in-first-out basis, Stock in process is valued at cost comprising of raw materials and direct expenses.

Finished goods include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

VI] CLASSIFICATION OF ASSETS AND LIABILITIES AS CURRENT AND NON-CURRENT

All assets and liabilities are classified as current or non-current as per Company's normal operating cycle and other criteria set out in Schedule VI to the company's Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash & cash equivalent, 12 months has been considered by the Company for the purpose of current-non-current classification of assets & liabilities.

VII] RETIREMENT BENEFITS

Retirement benefits consisting of gratuity and leave encashment in respect of employees are accounted on the basis of valuation done by Kotak Mahindra Old Mutual Life Insurance Ltd. and an independent firm of actuaries respectively to arrive at year end figures.

VIII] SALES

Sales is exclusive of Excise Duty / Taxes and also does not include recoveries such as transportation, insurance etc. which are set off against the respective expense heads.

IX] FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions, on initial recognition, are recorded by applying to the foreign currency amount the exchange rate at the date of the transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate in foreign currency.

X] PROVISIONS / CONTINGENCIES

Contingent liabilities are not recognized but are disclosed in the financial statements. Claims against the Company where the possibility of materialization is remote are not considered as contingent liabilities.

Contingent assets are neither recognized nor disclosed in the financial statements.

2 SHARE CAPITAL

2.1 Schedule		(Rs. in lacs)		
		Par Value Rs.	31.03.2012	31.03.2011
Authorised				
40,00,000	Equity Shares	10	400.00	400.00
			400.00	400.00
Issued				
35,23,500	Equity Shares	10	352.35	352.35
			352.35	352.35
Subscribed & fully paid				
3,089,900	Equity Shares	10	308.99	308.99
Add: Forfeited Shares			21.68	21.68
			330.67	330.67

2.2 Equity Shares carry voting rights at the General Meeting of the company and are entitled to participate in surplus, if any, in the event of winding up.

2.3 Reconciliation of number of shares

	Equity Shares of Rs. 10 each	Rs. in lacs
Outstanding as at March 31 / April 1, 2011	3,089,900	308.99
Issued and Allotted during the year	—	—
Outstanding as at March 31, 2012	3,089,900	308.99

2.4 Shareholders holding more than 5% shares in the Company

	31.03.2012		31.03.2011	
	No. of Shares	% holding	No. of Shares	% holding
Equity Shares of Rs. 10 each				
Khatau Capacitors Pvt. Ltd.	1,274,400	41.24	1,274,400	41.24
Khatau Leasing & Finance Company Pvt. Ltd.	350,000	11.33	350,000	11.33

3 RESERVES & SURPLUS

	31.03.2010	Addition/ Deduction during theYear	31.03.2011	Addition/ Deduction during theYear	31.03.2012
Securities Premium Reserve	201.18	0.00	201.18	0.00	201.18
Revaluation Reserve	517.64	23.67	493.97	23.67	470.30
Profit & Loss Account	(281.63)	1.58	(280.05)	(223.68)	(503.73)
	437.19	25.25	415.10	(200.01)	167.75

(Rs. in lacs)

31.03.2012 31.03.2011

4 LONG TERM BORROWINGS

Term loan (Secured)	—	5.68
(From Bank & Financial Institution against hypothecation of cars repayable in equated monthly installments by October-2012)	—	5.68

(Rs. in lacs)

31.03.2012 31.03.2011

5 OTHER LONG TERM LIABILITIES

Trade payables	225.00	225.00
Distributors Deposits	9.74	9.42
	<u>234.74</u>	<u>234.42</u>

6 LONG TERM PROVISIONS

Provision for employee's benefits	40.89	41.09
	<u>40.89</u>	<u>41.09</u>

7 SHORT TERM BORROWINGS

Working Capital (Secured)		
From Bank	598.72	442.62
[Secured by a first charge over the entire fixed and current assets and personally guaranteed by two Promoter Directors of the Company]		
Other Loans (Unsecured)	11.50	39.00
	<u>610.22</u>	<u>481.62</u>

8 TRADE PAYABLES

Acceptances	372.87	467.74
	<u>372.87</u>	<u>467.74</u>

Company is awaiting information from the suppliers to identify enterprises falling under section 22 of the Micro, Small and Medium Enterprises Development Act, 2006.

9 OTHER CURRENT LIABILITIES

Current maturities of long-term loans	1.92	4.40
Other payables	14.71	23.32
Advance From customers	16.42	1.59
Other payables (Staff)	0.08	0.34
	<u>33.13</u>	<u>29.65</u>

10 SHORT-TERM PROVISIONS

Provision for employees benefits	42.45	29.54
Others	6.17	3.34
	<u>48.62</u>	<u>32.88</u>

11 FIXED ASSETS										(Rs. in lacs)	
Assets	GROSS BLOCK				DEPRECIATION / AMORTIZATION				NET BLOCK		
	As at 1.4.2011	Additions	Sale/ Transfer	As at 31.3.2012	As at 1.4.2011	For the year	Adjust- ments	Up to 31.3.2012	As at 31.3.2012	As at 31.3.2011	
Tangible											
Lease Hold Land	306.19	0.00	—	306.19	10.29	4.35	—	14.64	291.55	295.90	
Building	169.60	0.00	—	169.60	46.08	5.25	—	51.33	118.27	123.52	
Plant and Machineries	514.74	2.82	—	517.56	332.04	24.15	—	356.19	161.37	182.70	
Furniture & Fixtures	12.32	0.00	—	12.32	11.30	0.24	—	11.54	0.78	1.02	
Office Equipments	34.04	0.38	—	34.42	22.88	2.02	—	24.90	9.52	11.16	
Vehicles	33.62	0.00	9.77	23.85	13.95	3.07	5.45	11.57	12.28	19.67	
TOTAL	1070.51	3.20	9.77	1063.94	436.54	39.08	5.45	470.17	593.77	633.97	
Previous Year	1051.14	19.37	—	1070.51	397.61	38.93	—	436.54	633.97		
									31.03.2012	31.03.2011	
12 NONCURRENT INVESTMENT											
Subsidiary Company (unquoted)								89.13	89.13		
240000 Equity shares of Refnol Overseas Limited of US \$ 1/ each								89.13	89.13		
									89.13	89.13	
13 LONG-TERM LOANS & ADVANCES											
Advances to related parties											
Indokem Ltd.								35.00	35.00		
Khatau Capacitors Pvt. Ltd.								54.68	54.64		
Other Deposits								12.01	14.70		
									101.69	104.34	
14 INVENTORIES											
Raw Materials*								134.17	140.55		
Packing Materials								5.86	9.20		
Fuel								3.39	2.63		
Stock in Process								12.72	13.83		
Finished Goods								170.34	168.92		
									326.48	335.13	
* Includes materials in transit Rs.0.64 Lacs (Previous year Rs. Nil)											
15 TRADE RECEIVABLES											
Unsecured											
Over six months								36.37	46.23		
Considered good								2.18	4.55		
Considered doubtful								38.55	50.78		
Less : Provision								2.18	4.55		
									36.37	46.23	
Others, considered good								564.09	691.21		
									600.46	737.44	

[Bad debts written off during the year against provision for doubtful debts Rs. 4.55 lacs (Previous year Rs. Nil)]

	(Rs. In lacs)	
	31.03.2012	31.03.2011
16 CASH AND CASH EQUIVALENTS		
Balances with Banks	28.57	20.97
Cash on hand	0.01	0.25
Margin Money with Bank	37.78	51.33
	<u>66.36</u>	<u>72.55</u>
17 SHORT-TERM LOANS AND ADVANCES		
Unsecured considered good		
Advances recoverable in cash or kind	54.88	56.85
Advance Tax	5.98	9.30
Advance to contractor labour	0.14	0.14
	<u>61.00</u>	<u>66.29</u>
	2011-2012	2010-2011
18 REVENUE FROM OPERATIONS		
Sales - Domestic	1409.48	1848.53
Less : Excise Duty / Taxes	174.21	190.40
	<u>1235.27</u>	<u>1658.13</u>
Sales - Exports	652.07	752.17
	<u>1887.34</u>	<u>2410.30</u>
19 OTHER INCOME		
Interest Income	5.07	4.78
Excess provision written back	—	14.65
Insurance Claim	0.68	0.20
Job Work	0.18	0.30
Balances Written off	1.81	19.15
Misc. Income	0.47	-
	<u>8.21</u>	<u>39.08</u>
20 COST OF MATERIALS CONSUMED		
Indigenous	1142.06	1496.20
Imported	53.21	66.97
	<u>1195.27</u>	<u>1563.17</u>
21 CHANGE IN INVENTORIES		
Stock as at 31st March, 2012		
Stock in Process	12.72	13.83
Finished Goods	170.34	168.92
	<u>183.06</u>	<u>182.75</u>
Less : Stock as at 31st March, 2011		
Stock in Process	13.83	11.05
Finished Goods	168.92	116.00
	<u>182.75</u>	<u>127.05</u>
	<u>0.31</u>	<u>55.70</u>

	(Rs. In lacs)	
	2011-2012	2010-2011
22 EMPLOYEES BENEFIT EXPENSES		
Salaries, Wages & Bonus etc.	201.15	211.55
Contribution to Provident Fund & other Funds	22.91	23.50
Staff Welfare expenses	25.11	29.59
	<u>249.17</u>	<u>264.64</u>
23 FINANCE COST		
Interest expense	120.97	85.27
Other borrowing costs	24.63	21.34
	<u>145.60</u>	<u>106.61</u>
24 OTHER EXPENSES		
Stores & Spares Consumed	7.30	8.53
Packing Materials Consumed	107.81	148.09
Power, Fuel & Water Charges	87.93	92.06
Repairs - Machineries	6.36	6.65
- Building	0.31	0.58
Inward Freight, Clearing & Forwarding	20.97	28.99
Laboratory & Testing Expenses	3.40	4.18
Labour Charges	14.80	16.54
Insurance	3.46	4.90
Rent	5.58	5.71
Rates & Taxes	7.26	9.27
Other Repairs	1.26	1.15
Postage & Telephone	8.94	10.81
Legal & Professional Charges*	19.57	11.91
Exchange rate difference	9.98	2.32
Conveyance & Vehicle Expenses	39.37	33.68
Printing & Stationery	2.38	3.19
Misc. Expenses	4.67	5.62
Directors' Fees	0.26	0.38
Service Charges	1.09	1.99
Loss on sale of asset	2.82	-
Commission	39.48	28.26
Outward Freight & Export Expenses	88.54	97.04
Sample Expenses	0.87	1.17
Advertisement & Sales Promotion	1.48	1.62
Travelling Expenses	15.82	15.77
Stock Transfer tax	9.77	10.65
Doubtful Debts	2.18	-
	<u>513.66</u>	<u>551.07</u>
*Payment to Auditors :	2011-2012	2010-2011
Statutory Auditors		
As Auditors	0.62	0.61
For Tax Audit	0.24	0.24
For other services	0.30	0.39
	<u>1.16</u>	<u>1.24</u>
Cost Auditors		
As Auditors	0.25	0.25

	<u>2011-12</u>	<u>2010-11</u>
25 CONTINGENT LIABILITIES (not provided for)		
Claim against company not acknowledged as Debt	0.50	0.50
Bills discounted with bank	—	21.07
26 In view of uncertainty that sufficient future taxable income will be available against unabsorbed depreciation and carried forward losses under tax laws, deferred tax assets has not been recognized.		
27 The company's operations fall under single segment namely "Chemicals".		
28 Earning per share:	<u>2011-12</u>	<u>2010-11</u>
Net Profit/(Loss) After Tax	(223.68)	1.58
Number of equity shares outstanding	3,089,900	3,089,900
Basic and diluted earning per share (Par value of Rs.10 each)	(7.24)	0.05
29 Related Party Disclosure		
a. Parties where control exists :		
Refinol Overseas Limited	Subsidiary	
Indokem Limited	Associate	
Indokem Export Limited	Associate	
Priyamvada Holdings Limited	Associate	
Khatau Capacitors Pvt. Ltd	Associate	
Orchard Acres	Associate	
b. Other related parties with whom transactions have taken place during the year :		
Key Management Personnel & Relatives :		
1. Mr. Arup Basu, Managing Director		
2. Mrs. Leela K. Khatau, Executive (Mother of Mr. Mahendra K. Khatau, Chairman)		
Other :		
1. Curiosity Workshop - proprietary firm of Mrs. Manisha Arup Basu (Wife of Mr. Arup Basu, Managing Director)		
c. Nature of Transaction		(Rs. In lacs)
	<u>2011-12</u>	<u>2010-11</u>
(i) Sales		
Parties where control exists	245.72	362.72
(ii) Payment for other services / interest		
Parties where control exists	2.65	2.63
Key Management Personnel & Relative	1.50	2.56
(iii) Loans & Advances from Related Party		
Key Management Personnel & Relative	-	35.00
(iv) Loans & Advances to Related Parties		
Parties where control exists	89.68	89.64
(v) Outstanding Balances as at 31st March 2012		
Parties where control exists :		
Receivables	202.47	308.92
Acceptances	2.24	2.04
Loan	11.50	31.50

(vi) Managing Directors' Remuneration :

Computation of Managing Directors' remuneration u/s 309 (5) of the Companies Act, 1956.

	<u>2011-12</u>	(Rs. in lacs) <u>2010-11</u>
Salary	17.12	23.52
Contribution to PF	1.22	1.68
Gratuity	0.47	0.67
Perquisites	0.55	0.47
	<u>19.36</u>	<u>26.34</u>

30 Value of consumables

	<u>2011-12</u>		2010-11	
	%	Rs.	%	Rs.
Raw materials				
Imported	4.45	53.21	4.28	66.97
Indigenous	95.55	1142.06	95.72	1496.20
TOTAL	<u>100.00</u>	<u>1195.27</u>	100.00	1563.17
Packing Materials				
Indigenous	100.00	107.81	100.00	148.09
Stores & spares				
Indigenous	100.00	7.30	100.00	8.53

31 Foreign Currency Transactions

	<u>2011-12</u>	<u>2010-11</u>
i Value of Imports on CIF basis		
Raw materials	79.99	116.67
ii Earnings in foreign exchange		
Exports at FOB Value (including deemed exports)	589.77	655.07
iii Expenditure in Foreign Currency		
Travelling expenses	2.19	1.67
Professional fees	0.78	1.13
Commission	23.49	25.85

32 In view of the revision to the Schedule VI as per notification issued by the Central Government, the financial statements for the year ended 31st March 2012 have been prepared as per the requirements of the Revised Schedule VI of the Companies Act, 1956. The previous year's figures have been accordingly regrouped / reclassified to confirm to the current year's classification.

In terms of our Report of even date
For **G. P. KAPADIA & CO.**
Chartered Accountants

For and on behalf of the Board,

Uday R. Parikh
Partner

Mahendra K. Khatau
Chairman

Arup Basu
Managing Director

Place : Ahmedabad
Date : May 29th, 2012

Place : Mumbai
Date : May 29th, 2012

CASH FLOW STATEMENT FOR 2011-2012

(Rs. in lacs)

	2011-2012	2010-2011
A. Cash flow from operating activities		
Net profit after tax and extra ordinary items	(223.68)	1.58
Adjustments for :		
Depreciation	15.41	15.26
Interest expenses & finance charges	145.60	106.61
Interest income	(5.07)	(4.78)
Loss on sale of fixed assets	2.82	—
	<u>158.76</u>	<u>117.09</u>
Operating profit / loss before working capital changes	(64.92)	118.67
Adjustments for :		
Trade and other receivables	144.93	112.57
Inventories	8.65	(65.73)
Trade and other payables	(75.54)	(207.68)
	<u>78.04</u>	<u>(160.84)</u>
Net cash used in operating activities	(a) <u>13.12</u>	<u>(42.17)</u>
B. Cash flow from investing activities		
Interest received	5.07	4.78
Purchase of fixed assets	(3.20)	(19.37)
Sale of fixed assets	1.50	—
	<u>3.37</u>	<u>(14.59)</u>
Net cash used in investing activities	(b) <u>3.37</u>	<u>(14.59)</u>
C. Cash flow from financing activities		
Proceeds from borrowings (net)	122.92	159.05
Interest & finance charges paid	(145.60)	(106.61)
Net cash used in financing activities	(c) <u>(22.68)</u>	<u>52.44</u>
Net increase in cash and cash equivalents (a+b+c)	(6.19)	(4.32)
Cash and cash equivalents-opening balance	72.55	76.87
Cash and cash equivalents-closing balance	66.36	72.55

In terms of our Report of even date
For **G. P. KAPADIA & CO.**
Chartered Accountants

For and on behalf of the Board,

Uday R. Parikh
Partner

Mahendra K. Khatau
Chairman

Arup Basu
Managing Director

Place : Ahmedabad
Date : May 29th, 2012

Place : Mumbai
Date : May 29th, 2012

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT,1956.

- | | | |
|--|---|---------------------------------|
| 1. Name of the Subsidiary Company. | : | Refnol Overseas Ltd. |
| 2. The Financial Year of Subsidiary ended on. | : | 31st March, 2012 |
| 3. Date from which it became subsidiary. | : | 10th August,1994 |
| 4. Number of Equity Shares held by the Company on the above date. | : | 2,40,000 Shares of US \$ 1 each |
| 5. Extent of Holding. | : | 100 % |
| 6. The net aggregate of Profit / (Losses) of the Subsidiary so far as they concern the members of the Company and which are not dealt with the accounts of the Company for the year ended on 31st March, 2012. | | |
| (1) For the Financial Year of the Subsidiary. | : | US \$ 9546 |
| (2) For the previous financial years of the Subsidiary. | : | US \$ 7436 |
| 7. The Net aggregate of Profit / (Losses) of the Subsidiary so far as they concern the members of the Company and which are dealt with the accounts of the Company for the year ended 31st March, 2012 | | |
| (1) For the Financial year of the Subsidiary. | : | NIL |
| (2) For the previous Financial Years of the Subsidiary. | : | NIL |

For and on behalf of the Board,

Mahendra K. Khatau
Chairman

Arup Basu
Managing Director

Place : Mumbai
Date : 29th May, 2012

CORPORATE INFORMATION

		Appointment Date	Resignation Date
Directors	: Mr. Arup Basu	11 Septemeber 1998	—
	Mr. Mahendra Kishore Khatau	10 August 1994	—
	Bluesphere Limited	07 January 2010	—
Registered Office	: C/o Trident Trust Company (Mauritius) Limited 5th Floor, Barkly Wharf Le Caudan Waterfront Port Louis Republic of Mauritius		
Banker	: HSBC Bank (Mauritius) Limited Offshore Banking Unit 6th Floor, HSBC Center 18 Cybercity, Ebene Republic of Mauritius		
Auditors	: Moore Stephens (Mauritius) Chartered Accountants 6th Floor, Newton Tower Sir William Newton Street Port Louis Republic of Mauritius		

COMMENTARY OF THE DIRECTORS

PRINCIPAL ACTIVITY

The main activity of REFNOL OVERSEAS LIMITED (the "Company") is that of investment holding.

RESULTS

The results for the year are shown in the statement of comprehensive income on page 5.

The company's total comprehensive income for the year ended 31 March 2012 is USD 9,546 (2011:USD 7,436).

AUDITOR'S REMUNTERATION	2012	2011
	USD	USD
Audit fees	1,150	1,150

DIRECTORS

The present membership of the Board is set out on page 1.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year, which present fairly the financial position, financial performance and the cash flows of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgement and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards (IFRS) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable certainty and accuracy at any time the financial position of the Company and to enable them to ensure that the financial statement comply with the Mauritius Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Messrs **Moore Stephens (Mauritius), Chartered Accountants**, have expressed their willingness to continue in office.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERES OF REFONAL OVERSEAS LIMITED

This report is made solely to the members of REFNOL OVERSEAS LIMITED (the "Company") as a body, in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for the report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of REFNOL OVERSEAS LIMITED (the "Company"), set out on pages 4 to 15, which comprise the statement of financial position as at 31 March 2012, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparatin and fair representation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements on pages 4 to 15 give a true and fair view of the financial position of the Company at 31 March 2012 and of its financial perfomance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with Mauritius Companies Act 2001.

Report on other legal and regulatory requirements

We have no relationship with or interests in the Company other than in our capacities as auditors.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

MOORE STEPHENS
Chartered Accountants
PORT LOUIS, REPUBLIC OF MAURITIUS

RAVINDRA RAMPHUL, FCCA
Signing Partner
Licensed by FRC
DATE : 07 MAY 2012

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REFNOL OVERSEAS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	NOTES	<u>2012</u> USD	<u>2011</u> USD
ASSETS			
Non-current assets			
Investment in subsidiary	5	41,013	41,013
Non current receivable	6	1,78,238	178,238
		<u>219,251</u>	<u>219,251</u>
Current assets			
Accounts receivable	7	92,710	82,869
Cash and cash equivalents	8	387	691
		<u>93,097</u>	<u>83,560</u>
TOTAL ASSETS		<u>312,348</u>	<u>302,811</u>
EQUITY & LIABILITIES			
Capital and reserves			
Stated capital	9	240,000	240,000
Retained earnings	10	70,437	60,891
		<u>310,437</u>	<u>300,891</u>
Current liabilities			
Accounts payable	11	1,911	1,920
Total equity and liabilities		<u>312,348</u>	<u>302,811</u>

Approved by the Board of Directors on 07 May 2012

(Director)

For and on Behalf of Blueaphere Limited

(Director)

For and on Behalf of Blueaphere Limited

The notes on pages 8 to 15 from an integral part of these financial Statements.

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2012

	NOTES	<u>2012</u> USD	<u>2011</u> USD
INCOME			
Interest income	3	16,041	16,041
EXPENSES			
Administration fees and disbursements		3,893	3,912
Audit fees		1,150	1,150
Underprovision of audit fees		-	150
Bank charges		152	2,152
Directors fees		1,000	1,000
Licence and Registration fees		300	241
		<u>6,495</u>	<u>8,605</u>
Profit before taxation	12	9,546	7,436
Taxation	13	—	—
Total comprehensive income for the year		<u>9,546</u>	<u>7,436</u>

The notes on pages 8 to 15 from an integral part of these financial Statements.

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REFNOL OVERSEAS LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2012

	Stated capital	Retained earnings	Total
	USD	USD	USD
As at 1st April, 2010	240,000	53,455	293,455
Total comprehensive income for the year	—	7,436	7,436
As at 31st March 2011	240,000	60,891	300,891
Total comprehensive income for the year	—	9,546	9,546
As at 31st March 2012	240,000	70,437	310,437

The notes on pages 8 to 15 from an integral part of these financial Statements.

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STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2012

	2012	2011
	USD	USD
Cash flows from operating activities		
Profit before taxation	9,546	7,436
Adjustments for:		
Interest income	(16,041)	(16,041)
Operating loss before working capital changes	(6,495)	(8,605)
Increase in accounts receivable	(9,841)	(7,100)
(Decrease) / Increase in accounts payable	(9)	80
Cash used in operating activities	(16,345)	(15,625)
Cash flows from investing activities		
Interest received	16,041	16,041
Net (decrease) / Increase in cash and cash equivalents	(304)	416
Movements in cash and cash equivalents		
Cash and cash equivalents at beginning of the year	691	275
Cash and cash equivalents at end of the year	387	691
Net (decrease) / Increase in cash and cash equivalents	(304)	416

The notes on pages 8 to 15 from an integral part of these financial Statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1. INCORPORATION

REFNOL OVERSEAS LIMITED (the "Company") was incorporated on 10 August 1994 and is limited by shares. The Company holds a Category 2 Global Business License issued under the financial Services Act 2007.

The principal activity of the Company is that of investment holding. The registered office is at C/o Trident Trust Company (Mauritius) Limited, 5th Floor, Barkly Wharf le Caudan Waterfront, Port Louise, Republic of Mauritius.

2.1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.2 New and Revised IFRSs affecting amounts reported in the current year (and/ or prior years)

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Company.

New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 7	Disclosures – Transfer of Financial Assets
IFRS 9	Financial instruments
IFRS 12	Disclosures of Interest in other Entities
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets
Amendments to IAS 24	Related Party Transactions
IAS 27 (as revised on 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investment in Associates and Joint Ventures

Key requirements of the above standards are described below.

The Amendments to IFRS 7, 'Disclosures – Transfer of Financial Assets', increase the disclosure requirement for the transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial assets is transferred but the transferor retains some level of continuing exposure in the assets. These amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The directors do not anticipate that these amendments to IFRS will have significant effect on the Company's financial statements. Amendments to IFRS 7 is effective for annual periods beginning on or after 1 July 2011.

IFRS 9, 'Financial instruments,' addresses the classifications, measurements and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition.

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2.2 New and revised IFRSs in issue but not yet effective (Continued)

The Classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. IFRS 9 is effective for annual periods beginning on or after 1 January 2013. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, 'Disclosures of Interests in other entities' includes the disclosures requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted and the Company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

The amendments to IAS 12 provide an exception to the general principles contained in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences, that would follow from the manner in the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, Investment Property are presumed to be recovered through sale for the purpose of measuring deferred tax, unless the presumption is rebutted in certain circumstances.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to IAS 12 in future accounting periods will have no effect on the Company's financial statements since it does not have any investment property.

The amendments IAS 24, 'Related Party Transaction' is twofold. The amendments clarified the definition of a related party, however, without changing the fundamental approach to related party disclosures. It emphasises a symmetrical view on related Party relationship and clarifies how a person or key management personnel impacts related party relationship of an entity. Furthermore, the amendments provides for an exemption to related party disclosures for government related entities. The amendments is effective for financial years beginning on or after 1 January 2011.

While the adoption of the amendments to IAS 24, 'Related Party Transaction' did not have any current impact on the financial position or performance or disclosures of the Company, as all required information is currently being appropriately captured and disclosed, it is relevant to the application of the Company's accounting policy in identifying future potential related party relationships.

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3. SIGNIFICANT ACCOUNTING POLICIES

- (a) *Statement of compliance*
The financial statements have been prepared in accordance with International Financial Reporting Standards.
- (b) *Basis of preparation*
The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.
- (c) *Revenue Recognition*
Interest income
- Interest income is accounted for on a time proportion basis.
- (d) *Expense Recognition*
Expenses are accounted for on a time proportion basis.
- (e) *Functional and presentation currency*
(i) *Reporting currency*
The financial statements are presented in United States dollar (USD), which is the Company's functional and presentation currency and represents the currency of the primary economic environment in which the entity operates.
(ii) *Transactions and balances*
Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities in foreign currencies at year end exchange rates are recognised in the statement of comprehensive income.
- (f) *Cash and cash equivalents*
Cash comprises cash at bank and in hand, demand deposits and bank overdrafts. Cash equivalents short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.
- (g) *Investment in subsidiary*
The investment in Texcare Middle East LLC the subsidiary, has been stated at cost (which includes transaction costs) in the financial statements of the Company. When indication of impairment exists, the recoverable amount of the investment is assessed. Where the recoverable amount of an investment is less than its carrying amount, the investment is written down immediately to its recoverable amount and the impairment loss is recognised as an expense in the statement of comprehensive income.
On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (h) *Stated capital*
Ordinary shares are classified as equity.
- (i) *Related parties*
Related parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial operating decisions.
- (j) *Financial instruments*
Financial instruments carried on the statement of financial position include investment in subsidiary, non current receivable, accounts receivables, cash and cash equivalents and accounts payable. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.
- (k) *Borrowing costs*
Borrowing costs are recognised as an expense in the year in which they are incurred.
- (l) *Accounts receivable*
Accounts receivable are stated at their nominal values as reduced by appropriate allowances for estimated in irrecoverable amounts.
- (m) *Accounts payable*
Accounts payable are stated at their nominal values.
- (n) *Provisions*
Provisions are recognised when the Company has a present or constructive obligation as a result of past events which it is probable will result in an outflow of economic benefits that can be reasonably estimated.
- (o) *impairment of Assets*
At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangibles assets to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use.
- (p) *Consolidated financial statements*
The Company owns 100% of the share capital of Texcare Middle East L.L.C. International Accounting Standard (IAS 27) - Consolidated and Separate Financial Statements require the Company to prepare consolidated financial statements which include the financial statements of the subsidiary.
Since the Company is a wholly owned subsidiary of Refnol Resins and Chemicals Limited, having its registered office at Plot 23, Phase III, G.I.D.C Industrial Estate, Naroda - 382 330, Ahmedabad, India which prepares consolidated financial statements under IFRS including those of the Company and its subsidiary the Company is therefore exempt according to IAS 27 to prepare financial statements.

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REFNOL OVERSEAS LIMITED

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future periods if the revision affects both current and future periods.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgment that have a significant effect on the amounts recognised in the financial statements or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.1 Key sources of estimation uncertainty

With regards to the nature of the Company's business there were no key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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5. INVESTMENT IN SUBSIDIARY

	<u>2012</u>	<u>2011</u>
	USD	USD
Unquoted Investment at cost	41,013	41,013

Details of the investment in the subsidiary company are as follows:

Investee Company	Country of Incorporation	No. of shares	% Holding
Texcare Middle East L.L.C.	Sharjah, U.A.E.	300	100

The principal activity of Texcare Middle East L.L.C. is the manufacturing of textile and garment wash chemicals, textile sizing chemicals and laundry & cleaing chemicals.

6. NON CURRENT RECEIVABLE

Loan receivable from Texcare Middle East L.L.C.	178,238	178,238
---	----------------	---------

The loan receivable from Texcare Middle East L.L.C. is unsecured, bears interest at the rate of 9% per annum and is repayable after more than one year.

7. ACCOUNTS RECEIVABLES

Interest receivable on loan to Texcare Middle East L.L.C.	71,040	61,199
Other receivable	20,000	20,000
Prepayments	1,670	1,670
	<u>92,710</u>	<u>82,869</u>

8. CASH AND CASH EQUIVALENTS

Cash at Bank	387	691
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9. STATED CAPITAL

Issued and fully paid

240,000 Ordinary shares of USD 1 each	240,000	240,000
---------------------------------------	----------------	---------

Note : All the above Shares are at par value.

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REFNOL OVERSEAS LIMITED

10. RETAINED EARNINGS

	<u>2012</u>	<u>2011</u>
	USD	USD
At 1 April	60,891	53,455
Total comprehensive income for the year	9,546	7,436
At 31 March	<u>70,437</u>	<u>60,891</u>

11. ACCOUNTS PAYABLE

Accruals	<u>1,911</u>	<u>1,920</u>
----------	--------------	--------------

12. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following items :-

Auditors' Remuneration	1,150	1,150
Director's Remuneration	1,000	1,000
Staff Costs	—	—
Number of Employees	<u>—</u>	<u>—</u>

13. TAXATION

The Company holds a Category 2 Global Licence and is not resident in Mauritius for tax purposes and therefore is exempt for income tax purposes.

14. RISK MANAGEMENT

capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. The capital structure of the Company consists of stated capital and retained earnings.

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk), liquidity risk and credit risk.

(a) Market risk

(i) Foreign exchange risk

The Company did not engage in activities which would require foreign currency exposure hedging. However the Company invested in shares denominated in Arab Emirates dirham (AED). Consequently, the Company is exposed to the risk that the exchange rate of the USD relative to the AED may change in a manner which has a material effect on the reported values of the Company's investment denominated in AED.

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14. RISK MANAGEMENT (CONTD...)

(i) Foreign exchange risk (contd...)

Foreign currency risk management

The currency profile of the Company's Financial assets and liabilities at the end of the reporting period is summarized as follows:

	Financial assets 2012	Financial liabilities 2012	Financial assets 2011	Financial liabilities 2011
	USD	USD	USD	USD
Arab Emirates dirham (AED)	41,013	—	41,013	—
United States dollars (USD)	269,665	1,911	260,128	1,920
	<u>310,678</u>	<u>1,911</u>	<u>301,141</u>	<u>1,920</u>

Prepayments amounting to USD 1,670 (2011:USD 1,670) are excluded from financial assets.

(ii) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations, associated with its financial liabilities, when they fall due.

Prudent liquidity risk management implies maintaining sufficient cash. In addition, the Company has access to its shareholder for its financing needs.

(iii) Interest rate risk management

The Company's exposure to interest rate risk is limited as its only interest bearing financial instruments are the loan receivable from its subsidiary bearing fixed interest rate per annum (note 6) and cash at bank.

(iv) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty defaults on its contractual obligations.

The Company has no significant concentration of credit risk.

(v) Fair value of financial assets and liabilities

The directors consider that the carrying amounts of the Company's financial assets and liabilities recognised in the financial statements approximate their face values.

15. EVENTS AFTER REPORTING DATE

There are no events after the reporting period which may have a material effect on financial statements at 31 March, 2012.

16. HOLDING COMPANY

The directors regard Refnol Resins and Chemicals Limited, a company incorporated in India as the Company's immediate and ultimate holding company.

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REFNOL RESINS AND CHEMICALS LIMITED

Regd. Office : 410/411, Khatau House, Mogul Lane, Mahim (West), Mumbai - 400016.

ATTENDANCE SLIP

I hereby record my presence at the Thirty First Annual General Meeting to be held on 6th September, 2012 at 12:00 noon at Plot No. 410/411, Khatau House, Mogul Lane, Mahim (West), Mumbai-400 016

Folio No.	Status
Name :	
No. of Shares Held	
Venue : Mumbai.	
Time : 12:00 noon	

Signature of the Attending Member/Proxy:
--

REFNOL RESINS AND CHEMICALS LIMITED

Regd. Office : 410/411, Khatau House, Mogul Lane, Mahim (West), Mumbai - 400016.

PROXY FORM

Folio No. _____ No. of Shares Held _____

I/We _____ of _____

_____ being a Member / Members of REFNOL RESINS AND CHEMICALS LIMITED, hereby appoint

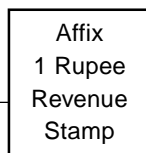
_____ of _____

or failing him of _____ of _____

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Thirty First Annual General Meeting of the Company to be held on 6th September, 2012 or at any adjournment thereof.

Signed this _____ day of _____ 2012.

Signature _____



* Strike out whichever is not applicable.

Note : Shareholders/proxy holder wishing to attend the meeting must bring the Attendance Slip to the meeting and hand over at the entrance duly signed.

Shareholders/proxy holder desiring to attend the meeting should bring his/her copy of Annual Report for reference at the meeting.

The Proxy form must be deposited at the Registered Office of the Company at 410/411, Khatau House, Mogul Lane, Mahim (west), Mumbai - 400016 not less than 48 hours before the commencement of the meeting. i.e. latest by 12:00 noon on Tuesday the 4th September, 2012. The Proxy need not be a member of the Company.

BOOK-POST

TO

If undelivered, Please return to :

REFNOL RESINS AND CHEMICALS LIMITED

Plot No. 23, Phase III, G.I.D.C.,

Naroda, Ahmedabad - 382 330, India.