



**30<sup>th</sup>** *Annual Report*  
2010 - 2011

REFNOL RESINS AND CHEMICALS LIMITED

## ANNUAL REPORT 2010-2011

<b>Board Of Directors</b>	:	Mr. Mahendra K. Khatau	Chairman
		Mrs. Asha M. Khatau	Director
		Ms. Devaki Jariwala	Director
		Mr. Bhalchandra Sontakke	Director
		Mr. S. Rajgopalan	Director
		Mr. Arup Basu	Managing Director
<b>Bankers</b>	:	Indusind Bank Ltd.	
<b>Auditors</b>	:	G. P. Kapadia & Co. Chartered Accountants	
<b>Registered Office</b>	:	Plot No. 410/411, Khatau House, Mogul Lane, Mahim, Mumbai - 400 016.	
<b>Factory &amp; Administrative Office</b>	:	Plot No. 23, Phase - III, G.I.D.C. Naroda, Ahmedabad - 382 330.	
<b>Registrar &amp; Transfer Agent</b>	:	<b>Sharepro Services Private Limited</b> 13AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off Andheri-Kurla Road, Sakinaka, Andheri East, Mumbai-400072.	

**NOTICE**

NOTICE IS HEREBY GIVEN THAT the 30th Annual General Meeting of the Members of REFNOL RESINS AND CHEMICALS LIMITED will be held on Thursday, **29th September, 2011** 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 at 31st March 2011, Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. S. Rajgopalan 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.

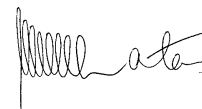
**SPECIAL BUSINESS:**

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

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions of the Companies Act, 1956 if any, the existing Articles of Association of the Company be and are hereby substituted by a new set of Articles of Association, a draft of which has been initialed by the chairman and made available for inspection by the members at the registered office of the Company, be and are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all the articles hereof."

"RESOLVED FURTHER THAT Mr. Arup Basu, Managing Director of the Company, be and is hereby authorized by the Company to undertake such acts, deed and matters, as they may in their absolute discretion deem necessary, proper or desirable, including any amendments or modification to the proposed Articles of Association as per the suggestion/direction of the Regulatory Authorities and settle any question, difficulty or doubt that may arise in this regard, including but not limited to making requisite filings with the Registrar of Companies and the stock exchanges, that may be required to give effect to the alteration of Articles of Association in accordance with this resolution.

**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 : August 13th, 2011  
Place : Mumbai

**NOTES:**

- (a) The relevant Explanatory Statement as required under Section 173 (2) of the Companies Act, 1956 in respect of item no. 4 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 25/09/2011 to 29/09/2011 (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) 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.

- (f) 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.
- (g) Members, who hold shares in the dematerialized form, are requested to bring their depository account number for identification.
- (h) 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, 13AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Andheri East, Mumbai-400072. (+91) (022) 67720300/67720400/28511872
- (i) 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.
- (j) 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.

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.

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

#### ITEM NO. 4 PASSED AS SPECIAL RESOLUTION TO ADPTOT THE NEW SET OF ARTICLES OF ASSOCIATION.

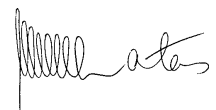
The Company's Original Articles of Association altered in late 90's which contains various articles which were redundant and certain provisions have been amended since then which were not inserted in the Articles. Few of the existing articles are also inconsistent with the present requisites of the Companies Act, thus there is a need to amend the present set of Articles of Association as per the requirements of the Company in light of various provisions of Section 31 of the Companies Act, 1956 and other applicable provisions if any. The Board of Directors thus proposes before the members that instead of amending the present set of articles substantially, a new set of Articles of Association be adopted in light of the various provisions of the Act and Rules made there under. Hence, the Directors of the company believe that it is desirable that the articles of association of the company be revised so that they fully reflect not only the law governing the Act and Rules made there under, but also be in conformity with recent secretarial practices and also showing compliances of other regulatory bodies. Thus just to reveal recent provision, rules and various regulations applicable to the company it is desirable to adopt new set of Articles of Association in place of the existing Articles of Association of the Company.

As per the provisions of Section 31 and other applicable provisions of the Companies Act, 1956, consent of the Members are required by way of Special resolution to alter or adopt a new set of Articles of Association of Company. Therefore, your directors recommend the resolution for approval as a Special resolution as set out in the item no. 4 to the notice of the meeting.

A copy of new set of Articles of Association along with the existing Articles of Association of the Company is available for inspection at registered office of the company during the working hours on any working day.

None of the director is interested in the proposed resolution except in the capacity as a member.

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 : August 13th, 2011  
Place : Mumbai

## DIRECTORS' REPORT

To the Members,  
Refnol Resins And Chemicals Limited  
Mumbai.

The Directors present their 30th Annual Report together with the Audited Statement of Accounts of Company for the year ended 31st March, 2011.

### 1) FINANCIAL RESULTS:

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

Particulars	(Rs. in lacs)	
	2010-11	2009-10
Profit before Financial Costs and Depreciation	128.52	167.31
Less:- Interest & Financial Charges	108.93	79.20
Less:- Depreciation	15.26	14.77
Profit before tax	4.33	73.34
Less:- Tax expense (MAT)	2.75	—
Profit after tax (net profit)	1.58	73.34
Profit available for Appropriation	1.58	73.34
Balance brought forward from previous year	(281.63)	(354.97)
Balance carried to Balance Sheet	(280.05)	(281.63)

### 2) OPERATIONS:

Despite continuous efforts to maintain and increase turnover and profitability, there was a decline in sales of 5% from Rs. 2539.86 lacs to Rs. 2410.30 lacs. Net Profit declined to Rs. 1.58 Lacs.

Exports in fact increased from Rs. 598.96 lacs to Rs 752.17, a growth rate of 25.58%. Manufacturing expenses maintained at 12.68% of sales for the year ended 31 March 2011 as against 12.34 % for the year ended 31 March, 2010. Other expenses were also maintained at 10.09% for year ended march 2011 as against 10.68 % of total sales for the year ended March 31, 2010.

Decline in net profit may be attributed to steep increase in Interest & financial charges which are up by 37.53%, coupled with a fall in margin due to continuous increase in raw material and other input costs especially in the second half of the year.

### 3) MARKETING AND EXPORTS:

The textile and garment industry both in India and world wide 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.

Due to these efforts and despite the recession and sales showing southward trend, the exports sales have shown growth of 25.58%, having increased from Rs. 598.96 lacs to Rs. 752.17 lacs. This trend is expected to continue in the current year.

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.

### 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. S. Rajgopalan, 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 2011 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 deepen 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 2011; 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 judgements 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.

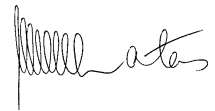
**16) COMPLIANCE REPORT:**

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 : August 13th, 2011  
Place : Mumbai

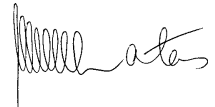
**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS  
AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT**

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 2011, 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, 2011.

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



**Mahendra K. Khatau**  
Chairman

Date : August 13th, 2011  
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 2011**. 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 required to be 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 Ten(10) times respectively on 30th April 2010, 19th May 2010, 31st May 2010, 31st July 2010, 23rd September 2010, 29th September 2010, 12th October 2010, 4th November 2010, 7th January 2011 & 15th February 2011 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 18th September 2010 to 23rd September 2010 (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 2010 was held on 23rd September 2010 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. The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act during the financial year under review.
9. The Company has complied with the provisions of Section 297 of the Act in respect of contract specified in that section 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. There was no instance falling within the purview of Section 314 of the Act during the year under review and hence the Company was not required to obtain any approvals from the Board of directors, members or Central Government during the period 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 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 major 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 was not required to obtain any approval of the Central Government, Company law Board, Regional Director, Registrar of Companies and/or such authorities prescribed under the various provisions of the act.
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 2011.
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 invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The amount borrowed by the Company from directors, member, public, financial institutions, banks and other during the financial year ending 31st March 2011 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 in duly convened annual general meeting.
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 not altered its articles of association during the financial year.
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 : August 13th, 2011

**ANNEXURE-'A'****Statutory & Other Registers maintained by the Company:**

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

**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 2011.**

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 23.09.10	Within 60 days from AGM Date	15.11.10	Filed vide SRN No. P59733915
2	Schedule-VI (e-form 23AC & 23ACA)	220	Balance Sheet as at 31.03.2010	Within 30 days from AGM Date	14.10.10	Filed vide SRN No. P54598479
3	Compliance Certificate E-form-66	383A(1)	To be attached with Board report	Within 30 Days From AGM date	14.10.10	Filed vide SRN No. P54592340
4	Form No.23	192	Resolution To create charge on the assets of the company u/s. 293(1) (a)	Within 30 days from the date of passing	14.10.10 resolution	Filed vide SRN No. A96028824
5	Form No.23	192	To confirm, approve and take record the variation in the terms of appointment and remuneration of Shri Arup Basu as MD by central Govt.	Within 30 days from the date of passing resolution	25.05.10	Filed vide SRN on No. A85839942
6	Form 8	125	Modification of charge dated 21.05.10 to secure the credit limit of Rs.8 Crores.	Within 30 days from the date of modification.	11.06.10	Filed vide SRN No. A86901220
7	Form 8	125	Modification of charge dated 10.01.11 to secure the credit facilities of Rs. 7.75 Crores.	Within 30 days from the date of modification.	31.01.11	Filed vide SRN No. B04386249
8	Form 8	125	Modification of charge dated 21.05.10 by providing Mem. Recording extension of Eq. Mortgage by deposit of title deeds to secure the credit limit of Rs. 8 Crores.	Within 30 days from the date of modification.	17.07.10	Late Filed vide SRN No. A89361158
9	Form 17	138	Satisfaction of charge.	Within 30 days from the date of satisfaction of charge.	02.02.11	Filed vide SRN No. B04553111

**Signature for Annexure 'A' and Annexure 'B'**

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

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

Place : Ahmedabad  
Date : August 13th, 2011

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

**1. Company's Philosophy on Corporate Governance:**

As a policy Refnol 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.

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 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.

Classification of Directors	No. of Directors
Executive Directors	One-Non-promoter Director
Non-executive Directors	
- Independent Directors	Three- Non promoter Director
- Others*	Two- Promoter Director

\* The Chairman of the Board is a Non-Executive Director.

In the judgment of the Board of Directors of the Company, following Directors are independent Non-executive Directors:

- Mr. Balchandra Sontakke
- Mr. S. Rajgopalan
- Ms. Devaki Jariwala

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

Ten Board Meetings were held during the year 2010-11 the dates on which the said meetings were held are as follows:

- |                        |                        |                      |                      |
|------------------------|------------------------|----------------------|----------------------|
| 1) 30th April 2010     | 2) 19th May 2010       | 3) 31st May 2010     | 4) 31st July 2010    |
| 5) 23rd September 2010 | 6) 29th September 2010 | 7) 12th October 2010 | 8) 4th November 2010 |
| 9) 7th January 2011    | 10) 15th February 2011 |                      |                      |

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	PD/ NPD*	ED/ NED/ ID*	No. of Board Meeting Attended	No. of Directorship in other Companies (Excluding Pvt. Ltd. Companies)	Attendance at the last AGM	No. of specified Committees (Other than RRCL) in which Chairman / Member	
						Chairman	Member
Mr. Mahendra K. Khatau	PD	NED	10	5	YES	-	-
Mrs. Asha M. Khatau	PD	NED	10	4	YES	-	-
Mr. Arup Basu	NPD	ED	10	1	YES	-	-
Ms. Devaki J. Jariwala	NPD	NED/ID	10	5	YES	-	-
Mr. Bhalchandra Sontakke	NPD	NED/ID	10	1	YES	-	-
Mr. S. Rajgopalan	NPD	NED/ID	10	1	YES	-	-



- ii) The broad terms of reference of the remuneration Committee are as under;
- To approve annual remuneration plan of the Company.
  - 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 23rd September 2010.
- 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 2010-11 are as follows:

(Rs. in lacs.)					
Directors	Salary	Perquisites	Fixed Commission	Sitting Fees	Total
Mr. Mahendra K. Khatau	—	—	—	0.075	0.075
Mrs. Asha M. Khatau	—	—	—	0.075	0.075
Ms. Devaki J. Jariwala	—	—	—	0.075	0.075
Mr. Bhalchandra Sontakke	—	—	—	0.075	0.075
Mr. S. Rajgopalan	—	—	—	0.075	0.075
Mr. Arup Basu	25.87	0.47	—	—	26.34

Company has not issued any convertible instrument. However, the details of the Shares held by Non-Executive Directors as at 31st March 2011 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;

- Mrs. Asha M. Khatau                      Chairperson/NED
- Mr. Mahendra K. Khatau                Member/NED
- 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 2010-11 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 31.03.2011
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
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
2007-08	08th Sept' 08 at 2.00 p.m.	Khatau House, 410/411, Mogul Lane, Mahim (W), MUMBAI-400 016.	NONE

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:

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. II (5) of Schedule 21 of the Accounts in the Annual Report.

- i) 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.
- ii) As a non-mandatory requirements your Company has adopted the following clauses;
  - a) 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](http://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	: 29th September, 2011
Time	: 12:00 noon.
Venue	: 410/411, Khatau House, Mogul Lane, Mahim (west), Mumbai-400 016.

- (ii) Financial Calendar : Quarterly results of the Company have been announced within stipulated time period for the respective quarter.  
whenever, the audited results are published for the fourth Quarter, they are announced within 2 months of the quarter as prescribed.
- (iii) Book Closure dates : 25/09/2011 to 29/09/2011 (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, and 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' 10	14.21	11.80	2,09,499
May' 10	13.75	10.07	77,170
Jun' 10	12.00	10.30	35,147
July' 10	12.88	10.50	28,823
Aug' 10	20.39	10.06	4,81,712
Sept' 10	22.80	15.20	2,85,393
Oct' 10	23.45	15.60	2,02,635
Nov' 10	17.35	13.55	67,750
Dec' 10	15.85	12.50	35,316
Jan' 11	15.90	12.70	15,418
Feb' 11	14.05	11.00	19,040
Mar' 11	13.50	10.46	55,078

- (viii) Registrar & Transfer Agents Address : Sharepro Services Private Limited  
13AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off Andheri-Kurla Road, Sakinaka, Andheri East, Mumbai-400072.  
(+91) (022) 67720300/67720400/28511872
- (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 2011

Share Holding of Nominal value		Share Holders	Share Amount		
Rs. (1)		Number (2)	% of Total (3)	In Rs. (4)	% of Total (5)
Upto	5000	827	65.32%	203962	6.60%
5001 To	10000	237	18.72%	203715	6.59%
10001 To	20000	88	6.95%	142483	4.61%
20001 To	30000	32	2.53%	82217	2.66%
30001 To	40000	20	1.58%	73636	2.38%
40001 To	50000	11	0.87%	49742	1.61%
50001 To	100000	30	2.37%	205772	6.66%
100001 And	above	21	1.66%	2128373	68.88%
TOTAL		1266	100.00%	3089900	100.00%

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



## b. Shareholding pattern as on 31st March 2011

Sr. No.	Category	No. of Shares Held	% of Total Shares
1	Promoters	1625000	52.59%
2	Mutual Funds/UTI	0	0.00%
3	Private Corporate Bodies	270805	8.76%
4	Public	1095495	35.45%
5	NRIs/OCBs	98600	3.19%
6	Any Other	0	0.00%
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 2011

Particulars	No. of Equity Shares	% to Share Capital
NSDL	2345187	75.90%
CDSL	471793	15.27%
Physical	272920	8.83%
TOTAL	3089900	100.00%

(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, 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, 2011, as stipulated in clause 49 (revised) of the Listing Agreement of the said Company with the Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned 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 : August 13th, 2011

**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, 2011

**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 : 2010-11****I Power and Fuel Consumption**

	Units	<u>Current Year</u>	<u>Previous Year</u>
1 Electricity			
(a) Purchase from Electricity Board	Kwh	<b>552854</b>	485558
Total amount	Rs. in lacs	<b>30.66</b>	27.56
Average Cost/Unit	Rs / Kwh	<b>5.55</b>	5.68
(b) Own Generation	Kwh	<b>8106</b>	9534
Total Amount	Rs. in lacs	<b>0.67</b>	0.62
Average Cost/Unit	Rs / Kwh	<b>8.28</b>	6.50
2 Others (LSHS / LDO)			
Quantity	Ltrs	<b>208616</b>	157810
Total Cost	Rs. in lacs	<b>67.90</b>	45.90
Average Rate	Rs / Ltrs	<b>32.55</b>	29.09

**II Consumption per unit of Production**

<u>Products</u>	<u>Quantity</u>	<u>Item</u>	<u>Unit/Qty</u>	<u>Current Year</u>	<u>Previous Year</u>
Chemicals	3950293 kgs	Electricity	0.14 Kwh/Kg.	<b>0.78 Rs./kg.</b>	0.56 Rs./kg.
		Furnace Oil / LDO	0.05 Ltrs/Kg.	<b>1.72 Rs./kg.</b>	0.94 Rs./kg.

**B. TECHNOLOGY ABSORPTION****FORM B****Disclosure of Particulars with respect to Technology Absorption : 2010-11****(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. 3.80 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. 571.12

(ii) CIF value of imports : Rs. 116.67

(iii) Expenditure in foreign exchange

- Travelling : Rs. 1.67

- Professional fees & Commission : Rs. 26.98

**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, 2011 and also Profit and Loss Account 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 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 items 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 Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion Balance Sheet, Profit & Loss Account 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 2011 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, 2011;
    - (ii) in the case of the Profit & Loss Account, of the 'Profit' 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 : August 13th, 2011

**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 regular 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, provision 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 late 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. Income Tax dues which remain unpaid exceeding six months as on 31st March 2011 is Rs. 0.74 lacs.

- b. 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 as at 31st March 2011 and has not incurred any cash losses in the current financial year and in the 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 were 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)

**Uday. R. Parikh**  
Partner

Place : Ahmedabad  
Date : August 13th, 2011

Membership No. : 10217

## BALANCE SHEET AS AT 31ST MARCH 2011

(Rupees in lacs)

	SCHEDULE	As At 31st March, 2011	As At 31st March, 2010
<b>SOURCES OF FUNDS</b>			
Shareholders' Funds			
Share Capital	1	308.99	308.99
Reserves and Surplus	2	716.83	740.50
		<u>1025.82</u>	<u>1049.49</u>
Loan Funds			
Secured Loans	3	447.18	307.13
Unsecured Loans	4	39.00	20.00
		<u>486.18</u>	<u>327.13</u>
<b>TOTAL</b>		<u><b>1512.00</b></u>	<u><b>1376.62</b></u>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets	5		
Gross Block		1070.51	1051.14
Less : Depreciation		436.54	397.61
Net Block		<u>633.97</u>	<u>653.53</u>
Investments	6	89.13	89.13
Current Assets, Loans and Advances			
Inventories	7	335.13	269.40
Sundry Debtors	8	737.44	845.95
Cash and Bank Balances	9	72.62	76.87
Loans and Advances	10	170.62	174.75
		<u>1315.81</u>	<u>1366.97</u>
Less : Current Liabilities & Provisions			
Current Liabilities	11	763.12	980.72
Provisions	12	43.84	33.92
		<u>806.96</u>	<u>1,014.64</u>
Net Current Assets		<u>508.85</u>	<u>352.33</u>
Profit and Loss Account		<u>280.05</u>	<u>281.63</u>
<b>TOTAL</b>		<u><b>1512.00</b></u>	<u><b>1376.62</b></u>
Accounting Policies and Notes on Accounts	21 & 22		

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  
Membership No. 10217

**Mahendra K. Khatau**  
Chairman

**Arup Basu**  
Managing Director

Place : Ahmedabad  
Date : August 13th, 2011

Place : Mumbai  
Date : August 13th, 2011



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011**

(Rupees in lacs)

	SCHEDULE	2010-2011	2009-2010
<b>INCOME</b>			
Sales	13	2410.30	2539.86
Other Income	14	39.08	23.82
Increase in Stock	15	55.70	42.77
TOTAL		<u>2505.08</u>	<u>2606.45</u>
<b>EXPENDITURE</b>			
Raw 'Materials Consumed	16	1563.17	1620.94
Manufacturing Expenses	17	305.63	313.44
Payments to and Provision for Employees	18	264.64	233.61
Selling, Distribution, Administrative & Other Expenses	19	243.12	271.15
Depreciation		38.93	
Less : Transferred from Revaluation Reserve A/c (refer note no. 3 of schedule 21)	5	<u>23.67</u>	14.77
Financial Costs	20	108.93	79.20
TOTAL		<u>2500.75</u>	<u>2533.11</u>
Profit for the year		4.33	73.34
Provision for Tax		2.75	0.00
Profit after Tax		1.58	73.34
Balance brought forward from previous year		281.63	354.97
Balance carried to Balance Sheet		<u>280.05</u>	<u>281.63</u>
Basic and diluted earnings per share (in Rs.)		0.05	2.37
Accounting Policies and Notes on Accounts	21 & 22		

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  
Membership No. 10217

**Mahendra K. Khatau**  
Chairman

**Arup Basu**  
Managing Director

Place : Ahmedabad  
Date : August 13th, 2011

Place : Mumbai  
Date : August 13th, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

(Rupees in lacs)

<b>As At</b>	<b>As At</b>
<b>31st March,</b>	<b>31st March,</b>
<b>2011</b>	<b>2010</b>

**SCHEDULE - 1 : SHARE CAPITAL**

## AUTHORISED :

40,00,000 Equity Shares of Rs.10/-each 400.00 400.00TOTAL 400.00 400.00

## ISSUED, SUBSCRIBED :

35,23,500 Equity Shares of Rs. 10/- each 352.35 352.35352.35 352.35

## PAID UP :

30,89,900 Equity shares of Rs.10/- each fully paid up 308.99 308.99TOTAL 308.99 308.99**SCHEDULE - 2 : RESERVES & SURPLUS**Share Premium Account (As per last Balance Sheet) 168.66 168.66

## Capital Reserve

- Forfeiture of Shares (As per last Balance Sheet) 54.20 54.20

## Revaluation Reserve

- Revaluation of Fixed Assets (As per last Balance Sheet) 517.64 541.33Less : Transferred to Profit & Loss A/c. 23.67 493.97 23.69 517.64

(Refer point No. 3 of Schedule No.21)

TOTAL 716.83 740.50**SCHEDULE - 3 : SECURED LOANS**

## From Bank

Working Capital 442.62 298.27

[Secured by a first charge over the entire fixed and current assets and personally guaranteed by two Directors of the Company]

Car Loan [Against hypothecation of cars] 4.56 8.86TOTAL 447.18 307.13**SCHEDULE - 4 : UNSECURED LOANS**From Others 39.00 20.00TOTAL 39.00 20.00**SCHEDULE - 5 : FIXED ASSETS**

(Rupees in Lacs)

Assets	GROSS BLOCK			As at 31.3.2011	DEPRECIATION / AMORTIZATION				NET BLOCK	
	As at 1.4.2010	Additions	Sale/ Transfer		As at 1.4.2010	For the year	Adjust- ments	Up to 31.3.2011	As at 31.3.2011	As at 31.3.2010
<b>Tangible</b>										
Lease Hold Land	306.19	-	-	306.19	5.94	4.35	-	10.29	295.90	300.25
Building	166.52	3.08	-	169.60	40.87	5.21	-	46.08	123.52	125.65
Plant and Machineries	499.82	14.92	-	514.74	309.02	23.02	-	332.04	182.70	190.80
Furniture & Fixtures	12.15	0.17	-	12.32	11.01	0.29	-	11.30	1.02	1.14
Office Equipments	32.84	1.20	-	34.04	20.01	2.87	-	22.88	11.16	12.83
Vehicles	33.62	-	-	33.62	10.76	3.19	-	13.95	19.67	22.86
<b>TOTAL</b>	1051.14	19.37	-	1070.51	397.61	38.93	-	436.54	633.97	653.53
<b>Previous Year</b>	1024.48	26.66	-	1051.14	359.15	38.46	-	397.61	653.53	

	(Rupees in lacs)	
	As At 31st March, 2011	As At 31st March, 2010
<b>SCHEDULE - 6 : INVESTMENTS</b>		
Long Term : Unquoted		
In Subsidiary Company	89.13	89.13
240000 Equity shares of Refnol Overseas Limited of US \$ 1/- each		
TOTAL	<u>89.13</u>	<u>89.13</u>
<b>SCHEDULE - 7 : INVENTORIES (As valued and certified by the Management)</b>		
Packing Materials - At Cost	9.20	10.74
Raw Material - At Cost	140.55	127.23
Fuel - At Cost	2.63	4.38
Stock in Process - At Cost	13.83	11.05
Finished Goods - At lower of Cost or Net Realisable Value	168.92	116.00
TOTAL	<u>335.13</u>	<u>269.40</u>
<b>SCHEDULE - 8 : SUNDRY DEBTORS</b>		
Unsecured Over six months		
Considered Good	46.23	26.47
Considered Doubtful	4.55	4.55
	<u>50.78</u>	<u>31.02</u>
Less : Provision	4.55	4.55
	<u>46.23</u>	<u>26.47</u>
Others, Considered Good	691.21	819.48
TOTAL	<u>737.44</u>	<u>845.95</u>
<b>SCHEDULE - 9 : CASH AND BANK BALANCES</b>		
Cash on hand	0.25	0.06
Balances with Scheduled Banks		
In Current Accounts	20.98	14.32
In Fixed Deposit	51.39	62.49
TOTAL	<u>72.62</u>	<u>76.87</u>
<b>SCHEDULE - 10 : LOANS AND ADVANCES (Unsecured Considered Good)</b>		
Advances recoverable in cash or kind or for value to be received	111.49	103.13
Deposits	49.64	48.67
Loans & Advances to Staff	0.05	1.20
Advance Tax	9.30	21.75
Advance to Contract labour	0.14	-
TOTAL	<u>170.62</u>	<u>174.75</u>
<b>SCHEDULE - 11 : CURRENT LIABILITIES</b>		
Sundry Creditors	473.27	629.96
Other Liabilities	288.26	332.59
Advances from customers	1.59	18.17
TOTAL	<u>763.12</u>	<u>980.72</u>

(Rupees in lacs)

2010-2011 2009-2010

**SCHEDULE - 12 : PROVISIONS**

Retirement Benefits	41.09	33.92
Provision For Tax	2.75	—
<b>TOTAL</b>	<b>43.84</b>	<b>33.92</b>

**SCHEDULE - 13 : SALES**

Sales - Domestic	1848.53	2192.07
Less : Excise Duty / Taxes recovered	190.40	251.17
	1658.13	1940.90
Sales - Exports	752.17	598.96
<b>TOTAL</b>	<b>2410.30</b>	<b>2539.86</b>

**SCHEDULE - 14 : OTHER INCOME**

Interest Income	4.78	4.13
Excess provision written back	14.65	—
Insurance Claim	0.20	—
Job Work	0.30	—
Balances Written off	19.15	19.69
<b>TOTAL</b>	<b>39.08</b>	<b>23.82</b>

**SCHEDULE - 15 : INCREASE / (DECREASE) IN STOCKS**

Stock as at 31st March, 2011		
Stock in Process	13.83	11.05
Finished Goods	168.92	116.00
	182.75	127.05
Less : Stock as at 31st March, 2010		
Stock in Process	11.05	3.45
Finished Goods	116.00	80.83
	127.05	84.28
	55.70	42.77

**SCHEDULE - 16 : RAW MATERIALS CONSUMED**

Raw Materials		
Opening Stock	127.23	144.92
Purchases	1576.49	1603.25
	1703.72	1748.17
Less : Closing Stock	140.55	127.23
<b>Raw Material Consumed</b>	<b>1563.17</b>	<b>1620.94</b>

(Rupees in lacs)

2010-2011 2009-2010

**SCHEDULE - 17 : MANUFACTURING EXPENSES**

Consumption of Stores and packing materials	156.63	194.23
Power, Fuel & Water Charges	92.06	70.25
Repairs - Machineries	6.65	7.57
- Building	0.58	0.19
Inward Freight, Clearing & Forwarding	28.99	21.69
Laboratory & Testing Expenses	4.18	3.99
Labour Charges	16.54	15.52
<b>TOTAL</b>	<b>305.63</b>	<b>313.44</b>

**SCHEDULE - 18 : PAYMENT TO AND PROVISIONS FOR EMPLOYEES**

Salaries, Wages & Bonus etc.	211.55	184.36
Contribution to Provident Fund & other Funds	23.50	19.02
Staff Welfare	29.59	30.23
<b>TOTAL</b>	<b>264.64</b>	<b>233.61</b>

**SCHEDULE - 19 : SELLING, DISTRIBUTION, ADMINISTRATION & OTHER EXPENSES**

Insurance	4.90	3.14
Rent	5.71	3.82
Rates & Taxes	9.27	2.84
Other Repairs	1.15	1.24
Postage & Telephone	10.81	13.20
Legal & Professional Charges	11.91	9.71
Conveyance & Vehicle Expenses	33.68	31.54
Printing & Stationery	3.19	3.13
Misc. Expenses	5.62	10.54
Directors' Fees	0.38	0.26
Service Charges	1.99	0.75
Commission	28.26	78.25
Outward Freight & Export Expenses	97.04	74.41
Sample Expenses	1.17	1.93
Advertisement & Sales Promotion	1.62	0.89
Travelling Expenses	15.77	25.40
Stock Transfer tax	10.65	10.10
<b>TOTAL</b>	<b>243.12</b>	<b>271.15</b>

**SCHEDULE - 20 : FINANCIAL COSTS**

Interest expense	85.27	61.71
Other borrowing costs	19.75	16.76
Exchange rate difference	3.91	0.73
<b>TOTAL</b>	<b>108.93</b>	<b>79.20</b>

**SCHEDULE 21 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****I. SIGNIFICANT ACCOUNTING POLICIES****ACCOUNTING CONCEPTS**

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

**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.

**INVESTMENTS**

Investments are shown at cost.

**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 amortised over the unexpired period of lease from the date of lease.

**INVENTORIES**

Raw materials, consumables and packing materials are valued on first-in-first-out basis, at actual cost, 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 and are valued at lower of cost or net realizable value.

**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.

**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.

**FOREIGN CURRENCY TRANSACTIONS**

- a) Foreign currency transactions are recorded at the exchange rate prevailing on the date of transaction.
- b) Current Assets and Current Liabilities in foreign currency outstanding at the end of the year are expressed at the year end rate.
- c) Investment in shares of subsidiary company is expressed at the rates prevailing on the date of transaction.

**CONTINGENT LIABILITIES**

Contingent Liabilities are not provided for and are disclosed by way of Notes.

**II NOTES ON ACCOUNTS**

		(Rupees in lacs)	
		<u>Current Year</u>	<u>Previous Year</u>
1	Contingent Liabilities not Provided for :		
	a) Letter of Credit	296.63	394.70
	b) Claim against company not acknowledged as Debt	0.50	0.50
	c) Bills discounted with bank	21.07	125.35
2	Company is awaiting information from the suppliers to identify enterprises falling under section 22 of the Micro, Small and Medium Enterprises development act, 2006.		
3	The gross block of fixed assets includes Rs. 541.33 lacs (Previous year Rs. 541.33 lacs) on account of revaluation of fixed assets carried out on 31/03/09. Consequent to the said revaluation, there is an additional charge of depreciation of Rs. 23.67 lacs (Previous year Rs. 23.69) and an equivalent amount has been withdrawn from Revaluation reserve and credited to the profit and loss account. This has no impact on profit of the year.		
4	The company's operations fall under single segment namely "Chemicals".		

## 5 Related Party Disclosure :

## a. Parties where control exists :

Refnol 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 &amp; Relatives :

- (1) Mr. Arup Basu, Managing Director
- (2) Mrs. Leela K. Khatau, Executive (Relative of Mr. Mahendra K. Khatau, Chairman)
- (3) Mr. Anil K. Khatau (Relative of Mr. Mahendra K. Khatau, Chairman)

	Current Year	Previous Year
	(Rupees in lacs)	
c. Nature of Transaction		
(i) Sales		
- Parties where control exists	362.72	565.57
(ii) Payment for other services		
- Parties where control exists	1.00	0.96
- Key Management Personnel & Relative	2.56	1.96
(iii) Loans & Advances to Related Parties		
- Parties where control exists	89.64	89.70
(iv) Outstanding Balance as at 31st March 2011		
Debtors :		
- Parties where control exists	308.92	341.87
Creditors :		
- Parties where control exists	2.04	1.45
(v) Remuneration	26.34	26.02
(vi) Hire Charges	2.16	2.16
6 Earning per share:		
Profit for the year	1.58	73.34
Number of equity shares outstanding	3089900	3089900
Basic and diluted earning per share (face value of Rs.10 each)	0.05	2.37
7 Due to Carried forward Book Losses Company has not provided accumulated net deferred tax as on 1st April, 2001 and for the current year as per Accounting Standard 22 (Accounting for Taxes on Income) of The Institute of Chartered Accountants of India.		
8 <b>Managing Directors' Remuneration :</b>		
Computation of Managing Directors' remuneration u/s 309 (5) of the Companies Act, 1956.		(Rs. in lacs)
	Current Year	Previous Year
Salary	23.52	23.17
Contribution to PF	1.68	1.68
Gratuity	0.67	0.67
Perquisites	0.47	0.50
	26.34	26.02
9 <b>Auditors' Remuneration :</b>		
Schedule 19 includes Auditors' remuneration as under :		
Statutory Auditors		
i) Audit fees	0.61	0.61
ii) Tax audit fees	0.24	0.24
iii) Other matters	0.39	0.45
Cost Audit fees	0.25	0.25

10 The figures of the previous year have been regrouped / reclassified / rearranged, wherever necessary.

11 Additional information required under Part IV of Schedule-VI to the Companies Act, 1956 are as per Schedule 22.

**SCHEDULE - 22 : ADDITIONAL INFORMATION UNDER PART II OF SCHEDULE VI OF THE COMPANIES ACT,1956.**

## 1. THE QUANTITATIVE INFORMATION WITH REGARD TO THE GOODS MANUFACTURED : YEAR 2010-2011

(Rupees in lacs)

Product	Licensed Capacity	Installed Capacity	Production Quantity Kgs.	Opening Stock		Closing Stock		Sales	
				Quantity Kgs.	Amount Rs.	Quantity Kgs.	Amount Rs.	Quantity Kgs.	Amount Rs.
Chemicals	N.A.	6500 TPA *							
Textile			2183380	75119		102135		2156364	
Resins			726618	28997		13031		742584	
Garment Wash			997057	71381		83670		984768	
Others			43238	3625		3286		43577	
			<b>**3950293</b>	<b>179122</b>		<b>202122</b>		<b>3927293</b>	<b>2410.30</b>
			(4906944)	(152610)		(179121)		(4880433)	(2539.86)

\* The installed capacity is an indicative value and depends significantly upon the product mix.

\*\* Production figures are inclusive of products awaiting final identification, inter product transfer and rejections.

## 2. CONSUMPTION :

	2010-2011		2009-2010	
	Percentage	Rs.	Percentage	Rs.
(i) Raw materials				
Imported	5.82	91.04	5.46	88.57
Indigenous	94.18	1472.13	94.54	1532.37
TOTAL	<b>100.00</b>	<b>1563.17</b>	100.00	1620.94
(ii) Stores, spares & Packing Materials				
Indigenous	100.00	156.63	100.00	194.23
CIF Value of Imports		116.67		66.53

## 3. FOREIGN EXCHANGE EARNED :

- Exports at FOB Value	571.12	581.52
------------------------	--------	--------

## 4. EXPENDITURE IN FOREIGN EXCHANGE :

- Travelling	1.67	2.66
- Professional fees & Commission	26.98	29.72

Signature to Schedules 1 to 22

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  
Membership No. 10217

**Mahendra K. Khatau**  
Chairman

**Arup Basu**  
Managing Director

Place : Ahmedabad  
Date : August 13th, 2011

Place : Mumbai  
Date : August 13th, 2011



## 5. Additional information pursuant of Part IV of Schedule VI of the Companies Act, 1956.

## I. Registration Details

Registration No.	<input type="text" value="2 3 5 0 7"/>	State Code	<input type="text" value="1 1"/>
Balance Sheet Date	<input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/>	<input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="1"/>	
	Date	Month	Year

## II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	<input type="text" value="N i l"/>	Right Issue	<input type="text" value="N i l"/>
Bonus Issue	<input type="text" value="N i l"/>	FCB Conversion	<input type="text" value="N i l"/>

## III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	<input type="text" value="1 5 1 2 0 0"/>	Total Assets	<input type="text" value="1 5 1 2 0 0"/>
<b>Sources of Funds</b>		<b>Application of Funds</b>	
Paid-up Capital	<input type="text" value="3 0 8 9 9"/>	Net Fixed Assets	<input type="text" value="6 3 3 9 7"/>
Reserves & Surplus	<input type="text" value="7 1 6 8 3"/>	Investments	<input type="text" value="8 9 1 3"/>
Secured Loans	<input type="text" value="4 4 7 1 8"/>	Net Current Assets	<input type="text" value="5 0 8 8 5"/>
Unsecured Loans	<input type="text" value="3 9 0 0"/>	Accumulated Losses	<input type="text" value="2 8 1 5 0"/>

## IV. Performance of Company (Amount in Rs. Thousands)

Turnover	<input type="text" value="2 4 1 0 3 0"/>	Total Expenditure	<input type="text" value="2 5 0 0 7 5"/>
Profit/(Loss) Before Tax	<input type="text" value="4 3 3"/>	Profit/(Loss) After Tax	<input type="text" value="1 5 8"/>
Earning Per Share in Rs.	<input type="text" value="0 . 0 5"/>	Dividend %	<input type="text" value="N i l"/>

## V. Generic Names of Four Principal Product/Services of the Company (As per monetary terms)

Product Description	Item Code No. (ITC Code)
TEXTILE CHEMICALS	<input type="text" value="3 8 0 9 9 1 9 0"/>
GARMENT WASH CHEMICALS	<input type="text" value="3 4 0 2 9 0 4 1"/>
LAUNDRY CHEMICALS	<input type="text" value="3 4 0 2 9 0 9 1"/>
RESINS	<input type="text" value="3 9 0 7 9 1 2 0"/>

Note : Classification of products / services under ITC Code being of technical nature is not verified by Auditors.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

	2010-2011	(Rupees in lacs) 2009-2010
<b>A. Cash Flow From Operating Activities</b>		
Net Profit After Tax And Extra Ordinary Items	1.58	73.34
Adjustments For :		
Depreciation	15.26	14.77
Interest Expenses & Finance Charges	105.02	78.47
Interest Income	(4.78)	(4.13)
Exchange Rate Difference (Net)	3.91	0.73
	<u>119.41</u>	<u>89.84</u>
Operating Profit / Loss Before Working Capital Changes	<u>120.99</u>	<u>163.18</u>
Adjustments For :		
Trade And Other Receivables	112.64	(152.27)
Inventories	(65.73)	(31.40)
Trade And Other Payables	(207.68)	28.79
	<u>(160.77)</u>	<u>(154.88)</u>
Cash Used In Operations	<u>(39.78)</u>	<u>8.30</u>
Direct Tax Paid (Fbt)	—	—
Net Cash Used In Operating Activities	<b>(A) (39.78)</b>	8.30
<b>B. Cash Flow From Investing Activities</b>		
Interest Received	4.78	4.13
Purchase Of Fixed Assets	(19.37)	(10.95)
Sale Of Fixed Assets	—	3
	<u>(14.59)</u>	<u>(6.82)</u>
Net Cash Used In Investing Activities	<b>(B) (14.59)</b>	<u>(6.82)</u>
<b>C. Cash Flow From Financing Activities</b>		
Proceeds From Borrowings	159.05	73.42
Repayment Of Borrowings	—	—
Long Term Borrowings	—	—
Interest & Finance Charges Paid	(105.02)	(78.47)
Exchange Rate Difference (Net)	(3.91)	(0.73)
Net Cash Used In Financing Activities	<b>(C) 50.12</b>	<u>(5.78)</u>
Net Increase In Cash And Cash Equivalents (A+B+C)	<u>(4.25)</u>	<u>(4.30)</u>
Cash And Cash Equivalents-Opening Balance	76.87	81.17
Cash And Cash Equivalents-Closing Balance	<u>72.62</u>	<u>76.87</u>

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  
Membership No. 10217

**Mahendra K. Khatau**  
Chairman

**Arup Basu**  
Managing Director

Place : Ahmedabad  
Date : August 13th, 2011

Place : Mumbai  
Date : August 13th, 2011

**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, 2011                |
| 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, 2011. |   |                                 |
| (1) For the Financial Year of the Subsidiary.                                                                                                                                                                  | : | US \$ 7436                      |
| (2) For the previous financial years of the Subsidiary.                                                                                                                                                        | : | US \$ 4560                      |
| 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, 2011         |   |                                 |
| (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 : August 13th, 2011

**CORPORATE DATA**

		<b>Appointment Date</b>	<b>Resignation Date</b>
<b>Directors</b>	: Mr. Arup Basu	11 Septemeber 1998	—
	Mr. Mahendra Kishore Khatau	10 August 1994	—
	Bluesphere Limited	07 January 2010	—
<b>Registered Office</b>	: C/o Trident Trust Company (Mauritius) Limited 5th Floor, Barkly Wharf Le Caudan Waterfront Port Louis Republic of Mauritius		
<b>Banker</b>	: HSBC Bank (Mauritius) Limited Offshore Banking Unit 6th Floor, HSBC Center 18 Cybercity, Ebene Republic of Mauritius		
<b>Auditors</b>	: Moore Stephens (Mauritius) Chartered Certified 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 2011 is USD 7,436 (2009:USD 4,560).

<b>AUDITOR'S REMUNTERATION</b>	<b>2011</b>	2010
	<b>USD</b>	USD
Audit fees	<b>1,150</b>	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 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 Certified 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 2011, 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 2011 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 Certified Accountants  
PORT LOUIS, REPUBLIC OF MAURITIUS

**RAVINDRA RAMPHUL A.C.C.A**  
CHARTERED CERTIFIED ACCOUNTANT  
DATE : 03 JUN 2011

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**REFNOL OVERSEAS LIMITED**
**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011**

	NOTES	<u>2011</u> USD	<u>2010</u> USD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiary	5	41,013	41,013
Non current receivable	6	178,238	178,238
		<u>219,251</u>	<u>219,251</u>
<b>Current assets</b>			
Accounts receivable	7	82,869	75,769
Cash and cash equivalents	8	691	275
		<u>83,560</u>	<u>76,044</u>
<b>TOTAL ASSETS</b>		<u><b>302,811</b></u>	<u><b>295,295</b></u>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Capital and reserves</b>			
Stated capital	9	240,000	240,000
Retained earnings	10	60,891	53,455
		<u>300,891</u>	<u>293,455</u>
<b>Current liabilities</b>			
Accounts payable	11	1,920	1,840
<b>Total equity and liabilities</b>		<u><b>302,811</b></u>	<u><b>295,295</b></u>

(Director)

(Director)

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 2011**

	NOTES	<u>2011</u> USD	<u>2010</u> USD
<b>INCOME</b>			
Interest income	6	16,041	16,041
<b>EXPENSES</b>			
Administration fees and disbursements		3,912	11,911
Audit fees		1,150	1,000
Overprovision of audit fees		150	(500)
Bank charges		2,152	(1,812)
Directors fees		1,000	250
Secretarial fees		241	632
		<u>8,605</u>	<u>11,481</u>
<b>Profit before taxation</b>	12	7,436	4,560
Taxation	13	—	—
<b>Total comprehensive income for the year</b>		<u><b>7,436</b></u>	<u><b>4,560</b></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 2011

	Stated capital	Retained earnings	Total
	USD	USD	USD
As at 1st April, 2009	240,000	48,895	288,895
Total comprehensive income for the year	—	4,560	4,560
<b>As at 31st March 2010</b>	240,000	53,455	293,455
Total comprehensive income for the year	—	7,436	7,436
<b>As at 31st March 2011</b>	240,000	60,891	300,891

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 2011

	2011	2010
	USD	USD
<b>Cash flows from operating activities</b>		
Profit before taxation	7,436	4,560
Adjustments for:		
Interest income	(16,041)	(16,041)
Operating loss before working capital changes	(8,605)	(11,481)
(Increase) / Decrease in accounts receivable	(7,100)	973
Increase / (Decrease) in accounts payable	80	(5,475)
Cash used in operating activities	(15,625)	(15,983)
<b>Cash flows from investing activities</b>		
Interest received	16,041	16,041
Net increase / (decrease) in cash and cash equivalents	416	58
<b>Movements in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the year	275	217
Cash and cash equivalents at end of the year	691	275
<b>Net increase / (decrease) in cash and cash equivalents</b>	416	58

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 2011

### 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 Licence issued under the Financial Services Act 2007.

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

### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS')

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

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the presentation and disclosure but not the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2

#### 2.1 New and revised IFRSs affecting presentation and disclosure only.

- *Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009).*  
The amendments to IAS 1 clarify that the potential settlement of a liability by issue of equity is not relevant to its classification as current or non-current.
- *Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009).*  
The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the financial position can be classified as investing activities in the statement of cash flows.
- *Amendments to IFRS 7 Financial statements: Disclosures (as part of Improvements to IFRSs issued in 2010).*  
The Amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosure previously required regarding renegotiated loans.
- *Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010).*  
The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statements of changes in equity or in notes to the financial statements.

#### 2.1.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs have also been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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#### 2.2 New and revised IFRSs applied with no material effect on the financial statements (Continued)

*Improvements to IFRSs issued in 2009.*

Except for the amendments to IAS 1 and IAS 7 described earlier in section 2.1, the application of Improvements to IFRSs issued in 2009 has not had any material effect on amounts reported in the financial statements.

#### 2.3 New and revised IFRSs in issue but not yet effective.

The Company has not early applied the following new and revised IFRSs that have been issued but are not yet effective, as the directors do not anticipate that these new and revised IFRSs will have a significant effect on the Company's disclosures:

- *Improvements to IFRSs issued in 2010 (except for the amendments to IFRS 3 (2008), IFRS 7, IAS 1 and IAS 28) - (Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011 as appropriate)*
- *Amendments to IFRS 1, Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters ( Effective for annual periods beginning on or after 1 July 2010)*
- *Amendments IFRS 7, Disclosures – Transfers of Financial Assets ( Effective for annual periods beginning on or after 1 July 2011)*
- *IAS 24 (as revised in 2009) Related Party Disclosures ( Effective for annual periods beginning on or after 1 January 2011)*
- *Amendments to IAS 32, Classification of Rights Issues ( Effective for annual periods beginning on or after 1 February 2010)*
- *Amendments to IFRIC 14, Prepayments of a Minimum Funding Requirement ( Effective for annual periods beginning on or after 1 January 2011)*
- *IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (Effective for annual periods beginning on or after 1 July 2010)*

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

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## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (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) Deferred tax

Deferred taxation is provided using the liability method on all temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Temporary differences arise mainly from tax losses carried forward.

### (h) Investment in subsidiary

The investment in Texcare Middic 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) *Stated capital*

Ordinary shares are classified as equity.

(j) *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.

(k) *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.

(l) *Borrowing costs*

Borrowing costs are recognised as an expense in the year in which they are incurred.

(m) *Accounts receivable*

Accounts receivable is stated at its nominal value as reduced by appropriate allowances for estimated in irrecoverable amount.

(n) *Accounts payable*

Accounts payable is stated at its nominal value.

(o) *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.

(p) *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.

(q) *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 group accounts.

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## 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 period of the revision and factors 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 year, 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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# REFNOL OVERSEAS LIMITED

## 5. INVESTMENT IN SUBSIDIARY

	<u>2011</u>	<u>2010</u>
	<u>USD</u>	<u>USD</u>
Unquoted Investment at cost	<b>41,013</b>	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.	<u><b>178,238</b></u>	<u>178,238</u>
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The loan to Taxcare 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 Taxcare Middle East L.L.C.	<b>61,199</b>	54,158
Other receivable	<b>20,000</b>	20,000
Prepayments	<b>1,670</b>	1,611
	<u><b>82,869</b></u>	<u>75,769</u>

## 8. CASH AND CASH EQUIVALENTS

Cash at Bank	<b>691</b>	275
	<u><b>691</b></u>	<u>275</u>

## 9. STATED CAPITAL

### Issued and fully paid

240,000 Ordinary shares of USD 1 each	<u><b>240,000</b></u>	<u>240,000</u>
---------------------------------------	-----------------------	----------------

Note : All the above Shares are at par value.

# REFNOL OVERSEAS LIMITED

## 10. RETAINED EARNINGS

	2011	2010
	USD	USD
At 1 April	53,455	48,895
Total comprehensive income for the year	7,436	4,560
At 31 March	<u>60,891</u>	<u>53,455</u>

## 11. ACCOUNTS PAYABLE

Accruals	<u>1,920</u>	<u>1,840</u>
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## 12. PROFIT BEFORE TAXATION

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

Auditors' Remuneration	1,150	1,000
Director's Remuneration	1,000	250
Staff Costs	—	—
Number of Employees	—	—

## 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 invest 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 2011	Financial liabilities 2011	Financial assets 2010	Financial liabilities 2010
	USD	USD	USD	USD
Arab Emirates dirham (AED)	41,013	—	41,013	—
United States dollars (USD)	260,128	1,920	252,671	1,840
	<u>301,141</u>	<u>1,920</u>	<u>293,684</u>	<u>1,840</u>

Prepayments amounting to USD 1,670 (2009:USD 1,611) 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.

### (iv) 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 value.

## 15. EVENTS AFTER REPORTING DATE

There are no events subsequent to the date of the statement of financial position which may have a material effect on the financial statements at 31 March 2011.

## 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 Thirtieth Annual General Meeting to be held on 29th September, 2011 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 Thirtieth Annual General Meeting of the Company to be held on 29th September, 2011 or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

Signature \_\_\_\_\_

Affix  
1 Rupee  
Revenue  
Stamp

\* 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 27th September, 2011. The Proxy need not be a member of the Company.

TEAR HERE