



SMARTCHEM TECHNOLOGIES LIMITED

24th Annual Report

2010-11

Board of Directors

Shri S. C. Mehta
Dr. T. K. Chatterjee
Shri S. R. Wadhwa
Shri R. Sriraman
Shri V. Kishore Kumar (w.e.f 23rd March 2011)

Manager

Shri S. Raja Reddy

Company Secretary

Shri Sudhir Kadam

Bankers

State Bank of India
Axis Bank Limited

Auditors

Deloitte Haskins & Sells

Registered Office & Plant

Village Ponnada,
Etcherla Mandalam,
Srikakulam,
Andhra Pradesh – 532 408.
Tel : 08942 – 271391, 270726
Fax: 08942 - 271392.

Bhagwati Division

Village Khattalwada,
Sanjan (Western Railway),
Taluka Umbergaon,
Dist. Valsad, Gujarat – 396 120.

Corporate Office

Deepak Complex,
Opp. Golf Course,
Shastri Nagar, Yerawada,
Pune – 411 006.
Tel : 020 - 6645 8000
Fax : 020 - 2668 3722

NOTICE

NOTICE is hereby given that Twenty Fourth Annual General Meeting of the members of **SMARTCHEM TECHNOLOGIES LIMITED** will be held on Monday, 1st August, 2011 at 11:00 a. m. at the Registered Office of the Company at Village – Ponnada, via Bonthalakoduru, Srikakulam, Andhra Pradesh 532 408 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2011 and the Profit and Loss Account for the financial year ended on that date together with the Directors' Report and the Auditors' Report thereon.
2. To declare a dividend on Equity Shares for the financial year ended 31st March, 2011
3. To appoint a Director in place of Shri R. Sriraman, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

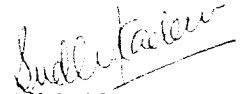
"RESOLVED THAT Shri. V. Kishore Kumar, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of the Annual General Meeting under section 260 of the Companies Act, 1956 and in respect of whom the Company has, under section 257 of the said Act, received notice in writing proposing his candidature for the Office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 385, 387 read with Schedule XIII and all other applicable provisions, if any, of the Companies act, 1956 (including any statutory modifications or re – enactment thereof for the time being in force), approval of the Company be and is hereby accorded to the appointment of Shri S. Raja Reddy as Manager of the Company for the period of one year with effect from 23rd March, 2011 on the terms and conditions including remuneration as set out in the Explanatory Statement annexed herewith.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter or vary the terms and conditions of the appointment including remuneration, subject to the same not exceeding the limits specified in Schedule XIII to the Companies Act, 1956 or any statutory modifications or re – enactment thereof for the time being in force and also to do such acts, deeds, matters and things as may be necessary, desirable or expedient to give effect to this resolution.”

By the order of the Board of Directors,



Sudhir Kadam
Company Secretary

Place: Mumbai
Date: 10th May, 2011

Registered Office:
Village – Ponnada, Via Bonthalakoduru
Srikakulam
Andhra Pradesh – 532 408

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, SHOULD BE COMPLETED, STAMPED AND SIGNED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. An Explanatory Statement pursuant to section 173 (2) of the Companies act, 1956 in respect of Special Business as set out above is annexed hereto.
3. The dividend, if declared, will be paid to those members whose names appear on the register of members as on 1st August, 2011 being the date of the Annual General Meeting of the Company.
4. The Register of Members and the Share Transfer Books of the Company shall remain closed from Tuesday, 26th July, 2011 to Monday, 1st August 2011 (both days inclusive).
5. Members are requested to intimate the Company change in their address, if any, with Pin Code number, quoting Registered Folio Number.

Annexure to the Notice

Explanatory Statement pursuant to Section 173 (2) of the Companies act, 1956

Item No. 6

Shri V. Kishore Kumar was appointed by the Board of Directors as an Additional Director of the Company at its meeting held on 23rd March 2011. In terms of the provisions of Section 260 of the Companies act, 1956, Shri V. Kishore Kumar holds office upto the date of ensuing Annual General Meeting of the Company. Notice under section 257 of the Companies Act, 1956 has been received from a member of the Company proposing Shri V. Kishore Kumar as a candidate for the office of Director, liable to retire by rotation.

Shri V. Kishore Kumar has done B. Tech (Hons.) in Mining Engineering from IIT, Kharagpur and Post Graduate Diploma in Business Finance from ICFAI, Hyderabad and has rich experience of about 31 years in the field of Research & Development, Technical Services, Marketing, Business Development, operations and General Management.

The Board of Directors is of the view that the services of Shri V. Kishore Kumar will be of immense value to the Company. Your Directors, therefore, recommend his appointment as a director of the Company.

None of the Directors of the Company except Shri V. Kishore Kumar is concerned or interested in the resolution.

Item No. 7

The Board of Directors, at its meeting held on 23rd March, 2011, appointed Shri S. Raja Reddy, as Manager of the Company for the period of one year with effect from 23rd March, 2011, subject to the approval of the members. The terms and conditions of the appointment of Shri S. Raja Reddy are as under:

Tenure of Office: One year with effect from 23rd March 2011.

Remuneration: Salary: Rs. 70,000 per month
Perquisite Allowance: Rs. 79,072 per month
House Rent Allowance: Rs. 28,000 per month
Medical benefits, Leaves, Provident Fund, Gratuity and such other benefits as per Company rules.

Other terms and Conditions:

1. During the period of employment of Shri S. Raja Reddy with the Company or at any time thereafter except in the course of performance of his duties in the Company's services, he shall not use, divulge or disclose any information to any person / association/ agency/ company/ authority any of the secrets concerning affairs of the Company and/or the business of the Company which he may have access to by the reason of or during the course of his employment with the Company.
2. He will abide by the rules and regulations of the Company in force from time to time.
3. He will work under the overall supervision, control and direction of the Board of Directors and perform all such works, acts and things as may be assigned by the Board from time to time pertaining to any official matters.

Shri S. Raja Reddy satisfies all the conditions set out in Part I of Schedule XIII to the Companies Act, 1956 for being eligible for the appointment.

The Board commends the resolution for approval by the members as an Ordinary Resolution.

None of the Directors of the Company is concerned or interested in the above resolution.

By the order of the Board of Directors,



Sudhir Kadam
Company Secretary

Place: Mumbai
Date: 10th May, 2011

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Twenty-Fourth Annual Report together with the Audited Accounts of the Company for the Financial Year ended 31st March, 2011.

FINANCIAL RESULTS

The summarised financial results are as under:

<u>Financial Year</u>	<u>(Rupees in Lacs)</u>	
	<u>2010-11</u>	<u>2009-10</u>
Income (Gross)	7081.07	5,598.04
Profit Before Tax (PBT)	1,353.30	1,241.49
Less:		
a) Provision for Income Tax	485.00	435.00
b) Provision for Deferred Tax	(46.93)	(43.51)
c) Provision for Fringe Benefit Tax	-	-
d) Provision for Wealth Tax	1.12	1.28
Profit After Tax (PAT)	914.10	848.72
Add: Balance brought forward	1486.60	1080.78
Less: Transfer to Capital Redemption Reserve	575.00	1,080.78
Profit available for appropriation	1,825.70	1,929.50
Appropriations:		
- Transfer to General Reserve	91.40	84.90
- Proposed Dividend on Pref. Shares	-	6.00
- Proposed Dividend on Equity Shares	300.00	300.00
- Corporate Dividend Tax	48.67	52.00
Surplus carried to Balance Sheet	1,385.64	1,486.60

DIVIDEND

Considering the performance of the Company, your Directors recommend dividend of Rs. 30/- per equity share on 10,00,000 Equity Shares of Rs. 10/- each for the year ended 31st March, 2011. The proposed Equity Dividend (including Corporate Dividend Tax) will absorb Rs. 348.67 lacs (including Corporate Dividend Tax of Rs. 48.67 lacs).

OPERATIONS AND FUTURE OUTLOOK

During the year under review, your Company has achieved Gross Sales of Rs. 7010.93 lacs as against Rs. 5,258.40 lacs for the previous year. Total production of Ammonium Nitrate during the year under review increased to 33042 MT as compared to 24,515 MT in the previous year. Similarly, the total production of Weak Nitric Acid (on 60% basis) increased to 47,030 MT as compared to 26,089 MT in the previous year. At Srikakulam Plant, capacity utilisation of Ammonium Nitrate was 100 % and that of Weak Nitric Acid at 87%.

During the year under consideration, import prices of Ammonia went up from 292.67 USD in April 2010 to 384.25 USD in March 2011. However, with innovative sourcing from dealers in Western India and developing a fleet of committed road transporters, the Company could capitalise on lower Ammonia prices prevailing in Western India and thereby minimise the impact of increase in import prices.

With a view to improve the power availability, your Company has commenced erection of a dedicated feeder at Srikakulam to bring down the instances of line breakdowns and also to enable the Company to purchase power from third parties and thus minimise the power shortages.

Your Company continues to strive for growth by improving operational efficiencies.

DIRECTORS

During the year under review, Shri Rajeev P. Karnik resigned as a Director of the Company on 23/03/2011. Consequent upon his resignation, he also ceased to be Occupier of the Company. The Board wishes to place on record its deep appreciation for the services rendered by him during his long and fruitful association with the Company.

Shri V. Kishore Kumar was appointed as an Additional Director of the Company w.e.f. 23/03/2011. He holds office upto the date of ensuing Annual General Meeting and is eligible for appointment as a Director of the Company.

Shri R. Sriraman retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

MANAGER

During the year, the Board has appointed Shri S. Raja Reddy, General Manager (Operations) as Manager of the Company under the provisions of the Companies Act, 1956 for a period of one year with effect from 23/03/2011, subject to approval of the Members at the ensuing Annual General Meeting.

AUDIT COMMITTEE

The Audit Committee was constituted on 31st March, 2001. During the year under review, Five Audit Committee meetings were held on 26th April, 2010, 24th May, 2010, 21st July, 2010, 25th October, 2010 and 24th January, 2011.

As on date, the Audit Committee consists of the following Directors:

1. Dr. T. K. Chatterjee
2. Shri S. R. Wadhwa
3. Shri R. Sriraman

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of sub-section (2AA) of Section 217 of the Companies Act, 1956, your Directors confirm that:

- i) in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- ii) the accounting policies selected had been applied consistently and judgements and estimates made were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year as on 31st March, 2010 and of the profit of the Company for that period;
- iii) proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts had been prepared on a 'going concern' basis.

AUDITORS

M/s. Deloitte Haskins and Sells, Chartered Accountants, Pune, the Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that their re-appointment, if made, by the Company for the year 2011-12 will be within the limit prescribed under Section 224 (1B) of the Companies Act, 1956. The Board of Directors recommends their re-appointment.

PERSONNEL

During the year under review, there were no employees who were covered under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended.

INDUSTRIAL RELATIONS

Industrial Relations remained cordial during the year under report.

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

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant data pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in the Annexure forming part of this Report.

ACKNOWLEDGEMENT

Your Directors wish to place on record their sincere appreciation to State Bank of India and Axis Bank Limited for their continued support during the year.

Your Directors are also pleased to record their appreciation for the dedication and contribution made by the employees at all levels who through their competence and hard work have enabled your Company to achieve good performance in the emerging competitive environment and look forward to their support in future as well.

For and on behalf of the Board,



S. C. MEHTA
CHAIRMAN

Place: Mumbai
Date: 10th May, 2011

ANNEXURE TO DIRECTORS' REPORT

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

SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken

No new measures taken for conservation of energy.

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

No additional investments and proposal being implemented for reduction of consumption of energy.

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

Previous measures taken are being consolidated for conservation of energy as well as reduction in consumption of energy

(d) Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in the Schedule

FORM A

Disclosure of particulars with respect to Conservation of Energy

Power & Fuel Consumption	Units	Current Year 2010-11	Previous Year 2009-10
1. Electricity			
a) Purchased units	'000 KWH	11591.68	7563.46
Total Amount	Rs. in Lacs	481.51	280.78
Rate per unit	(Rs. / KWH)	4.15	3.71

Power & Fuel Consumption	Units	Current Year 2010-11	Previous Year 2009-10
b) Own Generation			
2. Furnace Oil			
Quantity	KL	84.20	174.56
Total Amount	Rs. in Lacs	22.17	44.74
Average Rate	(Rs. / KL)	31,080	25630
3. Light Diesel Oil			
Quantity	KL	NA	241.84
Total Amount	Rs. in Lacs	NA	91.52
Average Rate	(Rs. / KL)	NA	37843
4. High Speed Diesel Oil			
Quantity	KL	20.20	26.849
Total Amount	Rs. in Lacs	8.13	9.57
Average Rate	(Rs. / KL)	40,254	35652

Consumption per unit of production

	Units	Current Year 2010-11	Previous Year 2009-10
1. Ammonium Nitrate			
Electricity	KWH / MT	118	115.13
Light Diesel Oil	KL / MT	NA	0.032
Furnace Oil	KL / MT	1.30	5015
2. Weak Nitric Acid			
Electricity	KWH / MT	276	303
Furnace Oil	KL / MT	1.49	5.58

B. TECHNOLOGY ABSORPTION

FORM B

Disclosure of particulars with respect to Absorption

RESEARCH AND DEVELOPMENT (R&D)

- | | |
|--|-----|
| 1. Specific areas in which R&D carried out by the Company | Nil |
| 2. Benefits derived as a result of the above R&D | Nil |
| 3. Future plan of action | Nil |
| 4. Expenditure on R&D | |
| a) Capital | |
| Nil | |
| b) Recurring | |
| Nil | |
| c) Total | |
| Nil | |
| d) Total R&D Expenditure as a percentage of Total Turnover | |
| Nil | |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- 1) **Efforts, in brief, made towards Technology Absorption, Adaptation and Innovation**
Nil
- 2) **Benefits derived as a result of above efforts e.g. product improvement, cost reduction, product development, import substitution etc.**
Not Applicable.
- 3) **In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished**

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

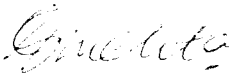
Nil

(b) Total foreign exchange used and earned:

Particulars with regard to foreign exchange used and earned are set out in Note no. 6 (f) of Part III in Schedule 14 to the accounts.

For and on behalf of the Board,

Place: Mumbai
Date: 10th May, 2011


S. C. MEHTA
CHAIRMAN


AUDITORS' REPORT TO THE MEMBERS OF SMARTCHEM TECHNOLOGIES LIMITED

1. We have audited the attached Balance Sheet of **SMARTCHEM TECHNOLOGIES LIMITED** ("the Company") as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose 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 as follows:
 - (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 it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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;

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- (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 and 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 of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2011 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 Section 274(1) (g) of the Companies Act, 1956.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 117366W)


Hemant M. Joshi
Partner
(Membership No.38019)

PUNE, May 10, 2011

ANNEXURE TO THE AUDITORS' REPORT

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

- (i) Having regard to the nature of the Company's activities, clauses (x), (xiii), (xiv) and (xvii) of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified in last year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
 - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

Deloitte Haskins & Sells

- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to Section 301 of the Companies Act, 1956 that needed to be entered in the register maintained under the said section have been so entered.
 - (b) Where each of such transactions is in excess of Rupees Five lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.
- (vii) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.
- (viii) In our opinion, the internal audit functions carried out during the year by a firm of chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (ix) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act in respect of any of the Company's products. Accordingly, the provisions of Clause (viii) of paragraph 4 of Companies (Auditors' Report) Order, 2003 is not applicable to the Company.
- (x) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has been regular in depositing undisputed dues, including Provident Fund, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

As explained to us, the Company was not required to deposit any amounts with the Investor Education and Protection Fund and the provisions of the Employees State Insurance Act, 1948 are not applicable to the Company for the year ended 31st March 2011.
 - (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in

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arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax, Sales Tax and Excise Duty which have not been deposited as on 31st March, 2011 on account of disputes are given below:

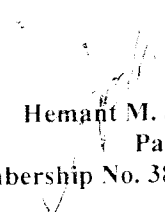
Name of Statute	Nature of the dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (Rs.)
Andhra Pradesh General Sales Tax Act, 1957	Sales Tax Demand	Sales Tax Tribunal	F.Y. 2000-01 And F.Y. 2003-04	2,521
Central Excise Act, 1944	Excise Demand	Central Excise and Service Tax Appellate Tribunal (CESTAT)	F.Y. 2002-03	1,377,723
Income Tax Act, 1961	Corporate tax	Income tax Appellate Tribunal	F.Y. 2001-02	890,752
Income Tax Act, 1961	Corporate tax	Commissioner of Income Tax (Appeals)	F.Y. 2002-03 And F.Y. 2005-06	219,593
Income Tax Act, 1961	Fringe Benefit Tax	Assistant Commissioner of Income Tax	F.Y. 2006-07	28,630

- (xi) The company has neither taken any loans from a financial institution and a bank nor issued any debentures; hence the question of default in repayment of dues does not arise.
- (xii) According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) 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.
- (xiv) In our opinion and according to the information and explanations given to us, there are no term loans availed during the year by the company.
- (xv) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xvi) According to the information and explanations given to us the Company has not issued any secured debentures during the year. Accordingly the provisions of clause 4(xix) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
- (xvii) The Company has not raised any monies by public issue during the year; hence the question of adequacy and disclosure of the end use of the money raised does not arise.

Deloitte Haskins & Sells

(xviii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

**For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 117366W)**


**Hemant M. Joshi
Partner
(Membership No. 38019)**

**Place: Pune
Date: May 10, 2011**

Balance Sheet as at

			31 March 2011	31 March 2010
	Schedules	Rupees	Rupees	Rupees
	No.			
I SOURCES OF FUNDS				
(1) SHAREHOLDERS' FUNDS				
(a) Share Capital	1	70,000,000		190,000,000
(b) Reserves and Surplus	2	<u>373,218,566</u>	443,218,566	<u>328,413,102</u>
				518,413,102
(2) DEFERRED TAX LIABILITY (net)			32,673,263	37,365,886
(See Note No III (4(b)) of Schedule 14)				
TOTAL			<u>475,891,829</u>	<u>555,778,988</u>
II APPLICATION OF FUNDS				
(1) FIXED ASSETS				
(a) Gross Block	3		578,938,078	575,779,810
(b) Less : Accumulated Depreciation			<u>310,649,916</u>	<u>277,726,388</u>
(c) Net Block			268,288,162	298,053,422
(d) Capital Work in Progress			4,119,926	2,306,972
(2) INVESTMENTS	4		112,397,178	206,258,924
(3) CURRENT ASSETS, LOANS & ADVANCES				
(a) Inventories	5	46,129,843		47,003,270
(b) Sundry Debtors	6	96,388,178		39,540,979
(c) Cash and Bank Balances	7	3,786,659		4,050,865
(d) Loans and Advances	8	<u>34,755,993</u>		<u>33,970,876</u>
		181,060,673		124,565,990
LESS: CURRENT LIABILITIES & PROV.	9			
(a) Current Liabilities		44,365,226		33,498,181
(b) Provisions		<u>45,608,884</u>		<u>41,908,139</u>
		89,974,110		75,406,320
NET CURRENT ASSETS			91,086,563	49,159,670
TOTAL			<u>475,891,829</u>	<u>555,778,988</u>
Significant Accounting Policies and Notes to Accounts	14			

The Schedules and Notes to Accounts form an integral part of the Financial Statements

As per our attached report of even date
For **Deloitte Haskins & Sells**
Chartered Accountants

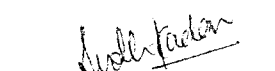
Hemant M. Joshi
Partner

Pune : 10-05-2011

For and on behalf of Board of Directors


S. C. Mehta
Director


Dr. T. K. Chatterjee
Director


Sudhir Kadam
Company Secretary

Mumbai : 10-05-2011

Profit and Loss Account for the year ended

	Schedule No	Rupees	<u>31 March 2011</u> Rupees	31 March 2010 Rupees
INCOME :				
Gross Sales		701,093,268		524,787,251
Less : Excise Duty		<u>65,535,560</u>		<u>41,114,109</u>
Net Sales			635,557,708	483,673,142
Gross Sales of Traded Products		-		1,052,511
Less : Counter Vailing Duty		-		<u>87,794</u>
Net Sales Traded Products			-	964,717
Net Sales			635,557,708	484,637,859
Other Income	10		7,013,769	33,349,998
(Decrease)/Increase in Stocks of Finished Goods	11		<u>(330,753)</u>	<u>613,940</u>
			642,240,724	518,601,797
EXPENDITURE :				
Manufacturing and Other Expenses	12		485,450,281	373,997,694
Purchase of Traded Products			-	847,793
Depreciation		33,060,901		32,372,614
Less : Transferred from Revaluation Reserve (Refer Note No III (2) of Schedule 14)		<u>11,738,573</u>	21,322,328	19,140,549
Interest and Other Financial Charges	13		137,951	466,562
			<u>506,910,560</u>	<u>394,452,598</u>
PROFIT BEFORE TAX			135,330,164	124,149,199
Provision for Tax - Total (See Note No III (4(a)) of Schedule 14)			43,919,377	39,276,750
PROFIT AFTER TAX			91,410,787	84,872,449
Add: Balance Brought Forward from Previous Year		148,659,918		108,077,939
Less : Transfer to Capital Redemption Reserve		<u>57,500,000</u>		-
			91,159,918	108,077,939
Balance available for appropriation			182,570,705	192,950,388
Appropriations :-				
Transferred to General Reserve			9,140,000	8,490,000
Proposed Dividend on Preference Shares			-	600,000
Proposed Dividend on Equity Shares			30,000,000	30,000,000
Corporate Dividend Tax			4,866,750	5,200,470
SURPLUS IN PROFIT AND LOSS ACCOUNT			<u>138,563,955</u>	<u>148,659,918</u>
Earning per share (Equity shares, face value of Rs. 10/- per share) Basic & Diluted (Refer Note No III (3) of Schedule 14)			91.41	84.17
Significant Accounting Policies and Notes to Accounts	14			

The Schedules and Notes to Accounts form an integral part of the Financial Statements


As per our attached report of even date
For **Deloitte Haskins & Sells**
Chartered Accountants

Hemant M. Joshi
Partner

Pune : 10-05-2011

For and on behalf of Board of Directors


S. C. Mehta
Director


Dr. T. K. Chatterjee
Director


Sudhir Kadam
Company Secretary

Mumbai : 10-05-2011

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

	31 March 2011 Rupees	31 March 2010 Rupees
(A) Cash flows from operating activities		
Net profit before tax	135,330,164	124,149,199
Adjustments for:		
Depreciation	21,322,328	19,140,549
Interest and finance charges	137,951	466,562
Loss/(Profit) on sale of fixed assets	24,939	-
Provision for Doubtful Debts	271,073	241,336
Dividend income	(3,734,412)	(6,548,945)
Profit on redemption of investments	(23,592)	(55,861)
Provisions written back	(1,559,768)	(557,094)
Interest income	(834,272)	(924,495)
Operating Profit Before Working Capital Changes	150,935,311	135,881,251
Decrease/(Increase) in Inventories	873,427	3,032,542
Decrease/(Increase) in Sundry Debtors	(56,357,521)	23,288,740
(Increase)/Decrease in Loans and Advances	280,957	3,188,888
Increase in Current Liabilities	11,665,163	4,655,354
Increase in Provisions	851,001	1,135,352
Cash generated from operations	108,248,338	171,182,126
Income taxes paid	(45,022,279)	(45,333,775)
Net cash generated/(used in) from operating activities (A)	63,226,058	125,848,351
(B) Cash flow from investing activities		
Purchase of fixed assets (including capital work in progress)	(5,159,591)	(2,374,363)
Sale proceeds of fixed assets	26,057	-
Investment in units of mutual funds (net)	93,885,338	(16,529,095)
Dividend income	3,734,412	6,548,945
Interest income	(38,059)	151,036
Net cash (used in)/generated from investing activities (B)	92,448,156	(12,203,477)
(C) Cash flows from financing activities		
Payment of interest and finance charges	(137,951)	(466,562)
Equity Dividend Paid	(30,000,000)	(100,000,000)
Redemption of Reference Share capital	(120,000,000)	-
Preference dividend paid	(600,000)	(1,800,000)
Preference & Equity dividend tax paid	(5,200,470)	(17,300,910)
Net cash used in financing activities (C)	(155,938,421)	(119,567,472)
Net increase/(decrease) in cash and cash equivalent (A+B+C)	(264,206)	(5,922,598)
Cash and cash equivalents as at beginning of the year	4,050,865	9,973,463
Cash and cash equivalents as at the end of the year	3,786,659	4,050,865
	(264,206)	(5,922,598)

Note :

- 1) Figures of Previous years have been regrouped wherever necessary.
2) Cash and cash equivalents comprise of:

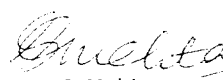
	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
Cash on hand	26,559	40,007	62,790
Cheques on hand	686,849	-	2,791,169
Balances with banks in			
Current Account	2,284,019	528,491	2,223,668
Deposit Account	478,417	2,932,499	4,372,961
Deposit Account (under lien)	310,815	549,868	522,875
	3,786,659	4,050,865	9,973,463

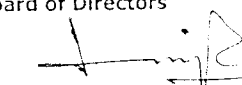
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Chartered Accountants

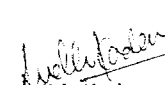
Hemant M. Joshi
Partner

Pune : 10-05.2011

For and on behalf of Board of Directors


S. C. Mehta
Director


Dr. T. K. Chatterjee
Director


Sudhir Kadam
Company Secretary

Mumbai : 10-05-2011

Schedules forming part of the Balance Sheet as at

Rupees	31 March 2011 Rupees	31 March 2010 Rupees
Schedule - 1 : SHARE CAPITAL		
AUTHORISED :		
7,000,000 Equity Shares of Rs. 10/- each.	70,000,000	70,000,000
1,800,000 1% Cumulative Redeemable Preference Shares of Rs.100/- each.	180,000,000	180,000,000
Total	250,000,000	250,000,000
ISSUED AND SUBSCRIBED		
1,000,000 (Previous Year 1000,000) Equity Shares of Rs. 10/- each, fully paid up	10,000,000	10,000,000
Out of the above 999,994 (Previous Year 999,994) shares are held by Deepak Fertilisers and Petrochemicals Corporation Limited, the holding Company		
600,000 (Previous Year 1,800,000) 1% Cumulative Redeemable Preference Shares of Rs.100/- each, fully paid up	60,000,000	180,000,000
All the preference shares are held by Deepak Fertilisers and Petrochemicals Corporation Limited, the holding Company.		
The Preference Shares amounting to Rs.120,000,000 were redeemed during the year by creating Capital Redemption Reserve out of General Reserve and Profit & Loss Account.		
Total	70,000,000	190,000,000
Schedule - 2 : RESERVES AND SURPLUS		
General Reserve :		
Balance at the commencement of the year	62,942,000	54,452,000
Add: Transfer from Profit and Loss Account	9,140,000	8,490,000
Less : Transfer to Capital Redemption reserve	62,500,000	
	9,582,000	62,942,000
Capital Redemption Reserve :		
Balance at the commencement of the year	-	-
Add: Transfer during the year	62,500,000	62,500,000
Transfer from General Reserve	57,500,000	57,500,000
Transfer from Profit & Loss Account	120,000,000	120,000,000
Revaluation Reserve :		
Balance at the commencement of the year	116,811,184	130,043,249
Less : Transferred to Profit and Loss Account (See Note No. III (2) to Schedule 14)	11,738,573	13,232,065
	105,072,611	116,811,184
Surplus in Profit and Loss Account	138,563,955	148,659,918
Total	373,218,566	328,413,102



Schedules forming part of the Balance Sheet as at 31 March 2011
Schedule - 3 : FIXED ASSETS

Assets	Gross Block (At Cost / Revaluation)				Depreciation				Net Block (At Cost / Revaluation)	
	As at 1-Apr-10	As at 31-Mar-11	As at 1-Apr-10	As at 31-Mar-11	For the Year	Deductions	As at 31-Mar-11	As at 31-Mar-11	As at 31-Mar-11	As at 31-Mar-10
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Leasehold Land	314,912	314,912	-	-	-	-	-	314,912	314,912	314,912
Freehold Land	8,686,569	8,686,569	-	-	-	-	-	8,686,569	8,686,569	8,686,569
Buildings	28,722,035	28,722,035	-	9,432,160	1,773,938	-	11,206,098	17,515,937	19,289,875	19,289,875
Plant and Machinery *	534,743,978	535,587,560	47,900	266,363,383	30,969,510	24,094	297,308,799	238,278,761	268,380,595	268,380,595
Office Equipment	2,048,919	2,396,624	109,451	1,292,601	161,379	83,775	1,370,205	1,026,419	756,318	756,318
Furniture and Fixtures	371,907	349,864	22,043	277,629	44,244	22,043	299,830	50,034	94,278	94,278
Vehicles	891,490	882,515	8,975	360,615	110,462	7,461	463,616	418,899	530,875	530,875
Intangible Assets	-	1,998,000	-	-	1,368	-	1,368	1,996,632	-	-
Total	575,779,810	578,938,078	188,369	277,726,388	33,060,901	137,373	310,649,916	268,288,162	298,053,422	298,053,422
Previous Year	570,832,383	575,779,810	-	245,353,774	32,372,614	-	277,726,388	298,053,422	298,053,422	298,053,422

Capital Work in Progress (Including Capital Advances Rs Nil (Previous Year Rs. Nil))

4,119,926

* 1. Refer Note 2 of Part III of Schedule 14

2. Includes assets held for disposal having gross block of Rs.21,282,293/- (Previous Year Rs. 9,662,829/-) and accumulated depreciation of Rs.20,219,223/- (Previous Year Rs. 9,179,438/-)

3. The depreciation for the year includes additional depreciation of Rs. 5,623,694 /- (Previous Year Rs.4,234,832/-) on assets held for disposal



Schedules forming part of the Balance Sheet as at

Schedule - 4 : INVESTMENTS (AT COST)	Rupees	31 March 2011 Rupees	31 March 2010 Rupees
Current Investments (Other than trade) (at lower of cost or fair value)			
<u>EQUITY SHARES (QUOTED) :</u>			
943 Equity Shares of Punjab National Bank Limited of Rs. 10/- each fully paid up. (Market Value as on 31.03.2011 – Rs.1,143,576/- (Previous Year Rs. 955,023/-))		367,770	367,770
<u>MUTUAL FUND UNITS (UNQUOTED)</u>			
<u>Liquid Funds :</u>			
1. Birla Sun Life Savings Fund : Nil (P.Y. 2,483,390.007) units of Rs 10/- eac		-	24,850,787
2. HDFC Cash Mgmt Trsry Adv Plan Fund : Nil (P.Y.2,160,946.155) units of Rs 10/- eac		-	21,677,531
3. ICICI Prudential Flexible Income Plan Premium : Nil (P.Y. 97,474.518) units of Rs 100/- each		-	10,307,164
4. ICICI Prudential FRP Plan C Premium : 119,484.972 (P.Y. Nil) units of Rs 100/- each		11,955,666	-
5. IDFC Money Manager Fund : Nil (P.Y. 1,670,672.555) units of Rs 10/- each		-	16,823,506
6. JM Money Manager Fund : Nil (P.Y. 2,525,614.651) units of Rs 10/- each		-	25,269,532
7. Kotak Floater Long Term : Nil (P.Y. 2,455,179.987) units of Rs 10/- each		-	24,747,723
8. Reliance Money Manager Fund : Nil (P.Y. 24,617.969) units of Rs 1000/- eac		-	24,639,774
9. Tata Floater Fund : 2,993,436.400 (P.Y. 1,642,668.239) units of Rs 10/- each		30,040,930	16,485,161
10. Templeton India Ultra Short and Fund Inst Daily Dividend : 2,999,951.182 (P.Y. Nil) units of Rs 100/- each		30,032,812	-
11. UTI Treasury Advantage Fund : Nil (P.Y. 24,675.427) units of Rs 1000/- each		-	25,519,752
		72,029,408	190,320,930
<u>Fixed Maturity Plans :</u>			
1. Kotak Quarterly Interval plan Series 10: 1,499,999.984 (P.Y. Nil) units of Rs. 100/- each		15,000,000	-
2. Birla Sunlife Short Term FMP Series 7 : 2,000,000(P.Y. Nil) units of Rs 10/- ea		20,000,000	-
		-	-
<u>Short Term Funds :</u>			
1. Birla Sunlife Dynamic Bond Fund : Nil (P.Y. 502,310.803) units of Rs. 10/- eac		-	5,268,481
2. HDFC Short Term Fund : Nil (P.Y. 501,555.118) units of Rs 10/- each		-	5,301,743
		-	10,570,224
<u>Equity Fund :</u>			
1. Axis Equity Fund : 500,000.000 (P.Y. 500,000.000) units of Rs. 10/- each		5,000,000	5,000,000
		5,000,000	5,000,000
		112,029,408	205,891,154
Total		112,397,178	206,258,924
NOTE : Investments purchased and sold during the year :			
	Face Value Rs. per unit	Number of units Purchased	Number of Units Sold
a) Liquid Funds			
1. Birla Sun Life Cash Plus Fund	10/-	7,777,205	7,777,205
2. Birla Sun Life Cash Manager Fund	10/-	7,748,996	7,748,996
3. Birla Sun Life Ultra Short Term Fund	10/-	1,353,679	1,353,679
4. Birla Sun Life Savings Fund	10/-	694,543	3,177,933
5. HDFC Liquid Fund – Daily Dividend	10/-	3,383,391	3,383,391
6. HDFC Cash Management Fund – Treasury Advant	10/-	1,107,169	3,268,115
7. IDFC Money Manager Fund – Treasury Plan A – De	10/-	3,286	1,673,959
8. ICICI Prudential Flexible Income Fund Premium	100/-	301,375	398,850
9. ICICI Prudential Liquid Super Institutional Fund	100/-	649,951	649,951
10. ICICI Prudential Floating Rate Plan B	100/-	200,326	200,326

