



# GWALIOR CHEMICAL INDUSTRIES LIMITED

25th Annual Report  
2008-2009





IMC-RBNQ Performance Excellence Award Trophy 2008



**Board of Directors**

Mr. Ashwin Kumar Kothari	Chairman and Executive Director
Mr. Harisingh Shyamsukha	Executive Director
Mr. K. N. Luhariwala	Executive Director
Mr. Vallabh Prasad Biyani	Executive Director
Mr. Rakesh Khanna	Independent Director
Mr. B. P. Kejariwal	Independent Director
Mr. Milan Mehta	Independent Director
Mr. Rohit Kothari	Non-Executive Director
Mr. Pratap R. Merchant	Independent Director
Mr. Suresh Tapuriah	Independent Director

**Chief Financial Officer**

Mr. Gaurav Shyamsukha

**Company Secretary**

Mr. Sanjeev Pathak

**Auditors**

Sarda & Pareek  
Chartered Accountants

**Registered Office**

1&2, Western India House,  
1st Floor,  
Sir P. M. Road, Fort,  
Mumbai – 400 001.  
Phone : 022-22873541

**Corporate Office**

209/210, 2nd Floor,  
Arcadia Building, 195,  
Nariman Point,  
Mumbai – 400 021.  
Phone : 022-66388500  
Fax : 022-66388620

**Works**

Birlagram, Nagda  
Madhya Pradesh – 456331  
Phone : 07366-245104, 245447  
Fax : 07366-246283

GIDC, Industrial Estate

Ankleshwar, Gujarat  
Phone : 02646-227175, 223280, 221776  
Fax : 02646-224908

**Bankers & Financial Institutions**

State Bank of India  
Industrial Development Bank of India  
HDFC Bank  
Standard Chartered Bank  
Bank of Baroda

**Registrar and Share Transfer Agent**

Link Intime India Private Limited.  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West), Mumbai – 400078  
Phone : 022-2594 6970 / 71 / 72 / 73 / 74 / 75  
Fax : 022-2596 2691

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**NOTICE**

Notice is hereby given that the 25th Annual General Meeting of the Members of the Company will be held on Thursday the 17th day of September 2009 at 4.00 P.M. at the M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, K. Dubash Marg, Fort, Mumbai – 400 001 to transact the following business: -

**Ordinary Business:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009 and the Profit and Loss Account for the year ended 31st March, 2009 together with the Reports of the Board of Directors and Auditor's Report thereon.
2. To declare dividend for the year ended on 31st March, 2009 on the equity share capital of the Company.
3. To appoint a director in place of Shri Rakesh Khanna who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Shri Rohit Kothari who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a director in place of Shri Pratap Merchant who retires by rotation and being eligible offers himself for re-appointment.
6. To consider and if thought fit, to pass with our without modification, the following resolution as an Ordinary Resolution:-

“RESOLVED THAT pursuant to the provisions of Section 224 of the Companies Act, 1956, M/s. Sarda & Pareek, Chartered Accountants be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be decided mutually between the Audit Committee in consultation with the Board of Directors and Auditors plus reimbursement of out of pocket expenses, if any.”

**Special Business:**

7. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

“RESOLVED THAT Shri. Suresh Tapuriah who has been appointed as an Additional Director of the Company by the Board of Directors with effect from 29th January, 2009 pursuant to the provisions of the Articles of Association and holds office up to date of this Annual General Meeting by reason of the provision of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing, proposing the candidature for the office of Director, in accordance with the provisions of Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company and that the period of office of the Director shall be liable to determination by retirement by rotation.”

BY ORDER OF THE BOARD

**SANJEEV PATHAK**  
Company Secretary

Place: Mumbai

Date: 27th July, 2009.

### Notes:

1. The relevant details as required by clause 49 of the Listing Agreements entered into with the Stock Exchanges, of persons seeking appointment / re-appointment as Directors under item Nos. 3, 4 & 5 above, are annexed.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 09th September, 2009 to 17th September, 2009 (both days inclusive).
3. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**  
  
The Proxy duly completed and signed must be deposited at the Corporate Office of the Company not less than 48 hours before the Meeting.
4. The members / proxies are requested to bring duly filled in Attendance Slips for attending the Meeting and Members/proxies are also requested to bring a copy of the Annual Report along with them to the Meeting.
5. The dividend, if declared, as recommended by the Board of Directors is approved at the Annual General Meeting, payment of such dividend will be made on or after 18th September, 2009 as under:
  - To all beneficial owners in respect of shares held in electronic form as per the data as may be made available by the National Securities Depository Limited and the Central Depository Services (India) Limited as of the close of business hours on 08th September, 2009.
  - To all Members in respect of shares held in physical form after giving effect to valid transfers in respect of transfer request lodged with the Company on or before the close of business hours on 08th September, 2009.
6. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository account will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any changes of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members.
7. Members holding shares in physical form are requested to immediately notify change of address, if any, to the Company's Registrars and Share Transfer Agents, M/s. Link Intime India Private Limited., C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai – 400078. Members holding shares in electronic form must send the advice about changes in address to their respective Depository Participant only and not to the Company or Company's Registrar and Share Transfer Agents.
8. All documents referred to in the accompanying notice are open for inspection at the Corporate Office of the Company on all working days, except Saturdays between 11.00 A.M. to 1.00 P.M.
9. Members desirous of obtaining any information concerning accounts and operations of the Company are requested to address their questions in writing to the Company at least 7 days before the date of the Meeting so that the information required may be made available at the Meeting.
10. As per the provisions of the Companies Act, 1956, facility for making nominations is now available to INDIVIDUALS holding shares in the Company. The Nomination Form-2B prescribed by the Government can be obtained from the Share Transfer Agent or may be down loaded from the website of the Department of Company Affairs.
11. Members are requested to note that as prescribed by Securities and Exchange Board of India (SEBI),



## GWALIOR CHEMICAL INDUSTRIES LIMITED

trading in securities of the Company is in dematerialized form only. Hence, Members who are yet to dematerialize their shares are advised to do so. The Company has entered into agreements with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

12. Members (Beneficiaries) holding shares in dematerialized mode are requested to note that the bank details furnished by them to their respective Depository Participants will be printed on their Dividend Warrants, if not opted for Electronic Clearing Services (ECS). This is pursuant to the SEBI directive vide Circular No. D&CC/FITTTTC/CIR-4/2001 dated 13.11.2001.

### STATEMENT REGARDING THE DIRECTORS PROPOSED FOR RE-APPOINTMENT

Name of the Appointee	<b>Mr. Rakesh Khanna</b>
Designation	Independent Director
Age (in Years)	57
Qualification & Experience	Chartered Accountant by profession having an experience of around 33 years in the field of finance, accounts and taxation.
Date of Appointment	Appointment as additional director by the Board of Directors in their Meeting held on 3rd February, 2005 and further confirmed as Director by the Shareholders in their General Meeting held on 4th February, 2005.
Shareholding in the Company	Nil
Other Directorships	1) Mangal Keshav Securities Ltd, 2) Mangal Keshav Holdings Ltd, 3) Mangal Keshav Capital Ltd, 4) Mangal Keshav Distributors Ltd, 5) MK Comodities Brokers Ltd, 6) Mangal Keshav Insurance Brokers Ltd, 7) Geltec Pvt. Ltd, 8) Universal Medicare Pvt. Ltd, 9) Dujon Commercial Pvt. Ltd, 10) Viniyog Investment Pvt. Ltd, 11) Douceur Sportswear Manufacturing Pvt. Ltd.
Committee Chairmanships	1) Gwalior Chemical Industries Ltd – a) Audit Committee b) Remuneration Committee 2) Mangal Keshav Securities Ltd – Audit Committee 3) Mangal Keshav Holdings Ltd – Audit Committee 4) Mangal Keshav Distributors Ltd – Audit Committee 5) M. K. Capital Limited – Audit Committee
Committee Memberships	1) Gwalior Chemical Industries Ltd – Investor Grievance Committee 2) Mangal Keshav Holding Ltd – H. R. Committee

Name of the Appointee	<b>Shri. Rohit Kothari</b>
Designation	Non – Executive Director
Age (in Years)	34
Qualification & Experience	Chartered Accountant and MBA by profession and associated with the Company since 7 years having approximately 9 years of experience in industry.
Date of Appointment	Appointment as additional director by the Board of Directors in their Meeting held on 29th April, 2006 and further confirmed as Director by the Shareholders in their General Meeting held on 22nd May, 2006.
Shareholding in the Company	145200
Other Directorships	1) Aroni Commercials Limited, 2) Monsoon Trading Company Limited, 3) Sushree Trading Limited, 4) Alpine Trading & Finance Limited, 5) Rangoli Holdings Limited, 6) Four Dimensions Securities (India) Limited, 7) Four Dimensions Capital Markets Pvt. Ltd, 8) Antique finance & Investment (p) Ltd, 9) Mapel Infrastructure Private Limited
Committee Chairmanships	Nil
Committee Memberships	Aroni Commercials Limited – Audit Committee

Name of the Appointee	<b>Shri. Pratap R. Merchant</b>
Designation	Independent Director
Age (in Years)	75 Years
Qualification & Experience	B Com, CAIIB-1, has long varied experience in the field of banking and financing spanning over 27 years having been with the Bank of Baroda as its Executive Director and Dena Bank as its General Manager.
Date of Appointment	Appointment as additional director w.e.f. 25th January, 2007 and further reappointed as Independent Director at the Annual General Meeting on 31st July, 2007.
Shareholding in the Company	1000 Equity Shares
Other Directorships	1) Precision wire (India) Limited, 2) Setco Automotive Limited, 3) KJMC Asset Management Co. Ltd.
Committee Chairmanships	1) Audit Committee – KJMC Asset Management Co. Ltd. 2) Remuneration Committee – Setco Automotive Limited. 3) Audit Committee – Setco Automotive Limited.
Committee Memberships	1) Audit Committee – Gwalior Chemicals Industries Limited. 2) Remuneration Committee – Gwalior Chemical Industries Ltd. 3) Audit Committee – Precision Wire (India) Limited. 4) Remuneration Committee – Precision Wire (India) Ltd. 5) Remuneration Committee – KJMC Asset Management Co. Ltd.



## GWALIOR CHEMICAL INDUSTRIES LIMITED

Name of the Appointee	<b>Shri. Suresh Tapuriah</b>
Designation	Independent Director
Age (in Years)	63 Years
Qualification & Experience	Bechelor of Chemical Engineering with First Class from Jadavpur University, Calcutta. He is heading his family business in Mumbai and Culcutta, mainly marketing and trading of metals and chemicals. He was trained at M/s. Dennis Brothers, UK for manufacturing of fire engines and Trailer Pumps after which he started manufacturing them in India successfully for Roberts Mclean & Co. He has also worked on a pilot plant and started manufacturing basic drug like Analgin as the first in India on commercial scale.
Date of Appointment	29th January, 2009
Shareholding in the Company	Nil
Other Directorships	1) Ankool Trade and Finance Limited, 2) Binani Commercial Company Pvt. Ltd, 3) Birla Group Holding Pvt. Ltd, 4) Avilok Trade & Finance Ltd, 5) Jaychand Leasing and Investment Co. Ltd, 6) Maxworth Industries Services Ltd, 7) Consilium Communications Pvt. Ltd, 8) Tapuriah & Sons Pvt. Ltd, 9) Gstaad Hotels Pvt. Ltd, 10) Rajita Audio Video Co. Pvt. Ltd, 11) Mansoon Trading Co. Pvt. Ltd, 12) Travel Voyages India Pvt. Ltd, 13) Urvi Chemicals & Allied Industries Limited, 14) Knop Trading Co. Pvt. Ltd, 15) Cresent Hygiene Products Ltd, 16) Ras Varsha Chemicals (p) Ltd, 17) Emmanuel Productions (p) Ltd.
Committee Chairmanships	Nil
Committee Memberships	Nil

By Orders of the Board

Place: Mumbai

Date : 27<sup>th</sup> July, 2009.

**Sanjeev Pathak**

Company Secretary



**EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**

**ITEM NO.7:**

Shri Suresh Tapuriah was appointed as an Additional Director by the Board of Directors on 29th January, 2009 in accordance with the provisions of Section 260 of the Companies Act, 1956. He holds the Office up to the date of Annual General Meeting. The Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a member of the Company proposing his candidature for the office of a Director.

Shri. Suresh Tapuriah holds Bechelor of Chemical Engineering degree with First Class from Jadavpur University, Calcutta. He was trained at M/s. Dennis Brothers, UK for manufacturing of fire engines and Trailer Pumps after which he started manufacturing them in India successfully for Roberts Mclean & Co. He has also worked on a pilot plant and started manufacturing basic drug like Analgin as the first in India on commercial scale. Your Directors consider that his continuation on the Board will be extremely beneficial to the Company.

None of the Directors are in anyway concerned or interested in the resolution.

The Board recommends the resolution set out at No. 7 of the Notice for your approval.

By Orders of the Board

**Sanjeev Pathak**  
Company Secretary

Place: Mumbai  
Date : 27<sup>th</sup> July, 2009.



**DIRECTORS' REPORT TO THE MEMBERS OF THE COMPANY  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2009**

Dear Shareholders,

Your Directors have great pleasure in presenting their Twenty Fifth Annual Report together with the Audited Accounts for the financial year ended 31st March 2009

**1. Financial Results**

(Rs. in Lacs)

<b>Particulars</b>	<b>Current year</b>	<b>Previous year</b>
Sales	<b>40169.15</b>	32051.92
Other Income	<b>585.57</b>	84.02
Increase /Decrease in Stock	<b>(247.07)</b>	278.79
Total Income	<b>40507.65</b>	32414.73
Gross Profit before Interest & Depreciation	<b>6196.07</b>	5516.01
Less: Interest	<b>956.27</b>	918.71
Gross Profit before Depreciation	<b>5239.80</b>	4597.30
Less: Depreciation	<b>1056.37</b>	862.86
Profit for the year before Taxation	<b>4183.43</b>	3734.44
Less: Provision for Current Tax	<b>751.66</b>	757.51
Less: Provision for Deferred Tax	<b>389.81</b>	464.02
Less: Provision for FBT	<b>15.09</b>	15.00
Net Profit before Prior Period Items & Exceptional Items	<b>3026.88</b>	2497.92
Prior Period Items	<b>57.86</b>	66.20
Exceptional Items	<b>198.86</b>	00.00
Net Profit after Prior Period Items and Exceptional items	<b>2770.16</b>	2431.72
Add: Balance brought forward from previous year	<b>2122.18</b>	1536.90
Amount available for appropriation	<b>4892.33</b>	3968.62
<b>APPROPRIATION</b>		
i) Transfer to General Reserve	<b>1500.00</b>	1500.00
ii) Final Dividend [proposed]	<b>296.12</b>	296.12
iii) Corporate Tax on Dividend	<b>50.33</b>	50.33
iv) Balance carried to Balance sheet	<b>3045.89</b>	2122.18
Total	<b>4892.33</b>	3968.62
EPS (Basic & Dilute per share of face value of Rs 10)	<b>11.23</b>	9.85

### 2. Financial Performance

#### (a) Results of Operations

During the year under review, your Company has earned a total income of Rs. 40507.65 Lacs as compared to Rs. 32414.73 Lacs of the previous year.

The Profit before Tax of Rs. 4183.43 Lacs and Net Profit after Tax of Rs. 2770.16 Lacs (after considering Extraordinary items of Rs. 256.72 Lacs) for the Financial year under review.

Inspite of the Global economic downturn witnessed in the second half of the year under review, the Company has been able to register growth in the market in which it operates

Your Directors are confident to explore better overseas market in the years to come.

#### (b) Export

There has been a considerable growth of 37.30 % in the Export turnover of the Company, which is reported to be Rs.17290.68 Lacs as against Rs. 12593.66 Lacs during the previous year. Your Company is exporting its products to various countries across the world.

Your Directors are confident to explore better overseas market in the years to come.

### 3. Business Transfer Agreement:

Your Company has entered into a Business Transfer Agreement with LANXESS India Private Limited for sale and transfer of its entire chemical business including the manufacturing assets at Nagda, Madhya Pradesh and wind power business located in Maharashtra and Madhya Pradesh as a going concern on a slump sale basis, on the terms and conditions as stipulated therein.

The Company operates in the Benzyl and Sulphur Chloride segment of the chemicals marketplace. Global recessionary trends, and increased competition and growing capacities have limited the growth opportunities in the Benzyl and Sulphur chlorides businesses. Some of the benzyl products largely feed on European and American market demand, which is currently sluggish and expected to remain so. The domestic Sulphur chloride business is facing stiff competition from other domestic and global producers.

The Company received a proposal from LANXESS India Private Limited ("Lanxess") to purchase its chemicals business and wind power business together with their respective assets and liabilities as going concern on a slump sale basis for a lumpsum consideration of the rupee equivalent of EUR 82.4 million. LANXESS is a leading specialty chemicals Company with sales of EUR 6.58 billion in 2008 and currently employs around 14,600 employees in 23 countries. The Company is represented at 44 production sites worldwide. The core business of LANXESS is the development, manufacturing and marketing of plastics, rubber, intermediates and specialty chemicals.

The Board of Directors by their Resolution dated June 8, 2009 have, subject to approval of the Shareholders of this Company, approved the transfer of the Transferred Business (as set out below) being the chemicals business and wind power business of the Company, together with their respective assets and liabilities as going concern on a slump sale basis for a lumpsum consideration of the rupee equivalent of Euro 82.4 million, which exchange rate for the purpose of this transaction shall be the Reserve Bank of India reference rate of exchange for Euro to Indian Rupee for the date falling four working days previous to the date of completion of the transaction as contemplated in the Business Transfer Agreement (the equivalent of Euro 82.4 million being approximately Rs. 536 crores at currency conversion rate of 1 Euro = Rs 65.00) on a cash and debt free basis subject to the terms, conditions and provisions set forth in the Business Transfer Agreement ("**Business Transfer Agreement**") (hereinafter



referred to as “**Transaction**”).

Transferred Business has been defined in the Business Transfer Agreement shall mean to include all the following:

- (i) All the tangible assets including the land and the buildings standing thereon, fixed assets and current assets and all the intangible assets including rights, privileges and benefits of use and exploitation vested in or available to the Company of trademark, brands, designs, copyrights, software business plans and other business information, patents, know how and any other registered or unregistered intellectual property or any improvement therein, customer lists, supplier lists, rights, future benefits arising out of research and development etc. relating to the chemical business and wind power business of the Company.
- (ii) Undertaking Liabilities (other than as specifically set forth in the Business Transfer Agreement);
- (iii) Data and Records;
- (iv) Goodwill;
- (v) All employees employed in the Transferred Business;
- (vi) Rights and benefits of and obligations under contracts subject to the terms and conditions as per the Business Transfer Agreement, and all other interests of whatsoever nature belonging to or in the ownership, power, possession, or the control of or vested in or granted in favour of or held for the benefit of or enjoyed by the Company for the chemical business and wind power business and capable of being assigned by the Company; and
- (vii) Full rights, power and authority to LANXESS for conducting and carrying on the Transferred Business in continuation of, and as successor to, the Company.

The salient features of the Business Transfer Agreement are as under:

1. The sale / transfer of the Nagda manufacturing facility after relocation of all Ankleshwar assets to Nagda which are required for conducting the Transferred Business will be by way of a slump sale as going concern for a lumpsum consideration.
2. All employees employed by the Transferred Business, as on the completion of the Transaction will be transferred to LANXESS on terms and conditions not less favourable than their present terms of employment without any interruptions in their service
3. The Company has agreed to a non-compete and non-solicitation clause in the said agreement for a period of three (3) years from the completion of the Transaction in countries constituting the European Union and the European Economic Area, and for a period of five (5) years from the completion of the Transaction elsewhere in the world.
4. The Company has stipulated in the Business Transfer Agreement that the transfer of the Transferred Business is subject to the Company having obtained the approval of its Shareholders under Section 293 (1) (a) of the Companies Act, 1956.

The Transaction is required to be completed before March 5, 2010 or such other later date as may be agreed between the parties. However, it is expected to be completed prior to September 30, 2009.

The equity value accruing to the Company on subtraction of estimated debt, adjustments and deal related expenses will be Rs. 380 crores (Euro 58.4 million). This value is approximately 190% of the Book Value as on March 31, 2009. The Business Transfer Agreement provides for certain holdbacks / adjustments to the above value in respect of post closing activities such as completion certain projects,

etc. totaling to approximately Rs. 30.75 crores, which will be held in escrow on and from the completion of the Transaction. The Board of Directors is confident of receiving this money on fulfillment of the conditions contained in the Business Transfer Agreement.

The amounts in rupee equivalents of the Euro amounts given above are based on the currency conversion rate of 1 Euro = Rs 65.00. However, the conversion rate for the applicable Euro amounts for completion of the Transaction shall be the Reserve Bank of India reference rate of exchange for Euro to Indian Rupee for the date falling four working days previous to the date of the completion of the Transaction. To avoid doubt, currency conversion rate of 1 Euro = Rs 65.00 is taken to depict the approximate position to our Shareholders.

The proposed transfer of undertaking will be in conformity with the provisions of the proviso to Section 25FF of the Industrial Disputes Act, 1947 ensuring that the services of concerned employees numbering 400 or thereabout engaged in this business will be transferred with continuity of service and full protection of their existing terms and conditions of service. The Company's manufacturing facility Ankleshwar will be retained by the Company. The Company will invest the sale proceeds in power generation business and manufacturing of high value specialty chemicals at Ankleshwar.

The sale is subject to receipt of all consent and approvals including consent of the Shareholders under Section 293(1) (a) of the Companies Act, 1956. The sale is also subject to the fulfillment of the terms and conditions of the Business Transfer Agreement dated June 8, 2009.

In the opinion of the Board of Directors, the current value derived by the Transaction and sale of the Transferred Business is attractive. Further, in light of sluggish and recessionary global trends, the value accruing to the Company has convinced the Company to propose this sale. The cash derived from sale, after initial distribution to Shareholders, when put to use in power generation and in building the Ankleshwar facility into specialty chemical hub will yield superior return to the Shareholders. This sale shall enable the Company to distribute some cash back to the Shareholders as well as invest in the growth of the businesses.

The Board of Directors, in their meeting on June 8, 2009 have, subject to the consummation of the Transaction, accorded their in-principle approval to the distribution of up to Rs. 100 crores to Shareholders through a one-time dividend payout and/or share buyback, subject to the applicable regulations and other approvals and the receipt of the consideration by the Company from the Transaction as set out in the Business Transfer Agreement. The Board of Directors shall decide the exact quantum of the amount of dividend and the amount to be allocated to for buy back.

#### **4. Management Discussions and Analysis Report**

A Management Discussion and Analysis Report as required under the Clause 49 of the Listing Agreement is annexed to and forming part of the Directors' Report.

#### **5. Dividend**

Your Directors are pleased to recommend a dividend of 12 % (Rs. 1.20 per share) for the financial year ended 31st March 2009 same as in the previous year. The total amount of dividend for the year ended 31st March 2009 is Rs.296.12 Lacs. The tax on distributed profits, payable by the Company would amount to Rs. 50.33 Lacs.

#### **6. Directors**

In accordance with the Articles of Association of the Company, Shri Rakesh Khanna, Shri Rohit Kothari and Shri Pratap Merchant directors are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The information required to be furnished under



clause 49 IV (G) of the Listing Agreement is given in the Notice of the Twenty Fifth Annual General Meeting.

**7. Initial Public Issue**

The Company came out with an IPO of Rs 80 Crores in the financial 2006-07 and the same has been fully utilized by 31.12.08 as per the object of the issue.

**8. Expansion Plans and the year under review:**

In the year under review the Company has earmarked upon expansion of capacities and infrastructure facilities thereof outlined herewith along with the expected dates of completion.

Sr. No.	Name of product	Existing Capacity	Expected Capacity	Completion
1	Chlorotoluene & its Derivatives	84100 TPA	137000 TPA	September , 2009
2	Sulphur Oxy Chloride & its Derivatives	41000 TPA	41000 TPA	Completed
3	Pigments	2400 TPA	3000 TPA	Completed
4.	Others	115700 TPA	170400 TPA	Completed
5	Co-generation power plant	--	4 MW Power and 45 TPH Steam	January 2010

**9. ISO Certification**

Your Company is having seven plants located across two chemical facilities at Nagda in Madhya Pradesh and Ankleshwar in Gujarat. Nagda facilities are having ISO 9001:2000, ISO 14001:2004 and OHSAS 18001: 2007 certifications.

**10. IMC - RBNQ Performance Excellence Award Trophy - 2008**

Your Company has achieved an international award instituted by Indian Merchant Chamber, Mumbai. The award is given to your Company in manufacturing category for adopting world class practices in quality management systems and for creating excellence in business performance and supply chain. This achievement is the result of TPM/TQM activities and other best practices like Kaizen, Suggestion scheme, Autonomous maintenance, 5 S, One point lesson adopted by your Company. The aim of the Company is based on a concept of zero lose by maintaining Zero Breakdowns, Zero Defects, Zero Accidents, Zero Customer complaints and Zero Pollution. The achievement is the result of hard working and dedication of man power believe in learning and implementing.

**11. Director's Responsibility Statement**

Pursuant to Section 217(2AA) of Companies Act, 1956, your Directors confirm the following:

- 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 Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 and of the profit of the Company for that.
- iii) 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;

- iv) that the Directors have prepared the attached Statement of Accounts for the year ended 31st March 2009 on a 'going concern' basis.

**12. Appointment of the Statutory Auditors:**

M/s Sarda & Pareek, Chartered Accountants were appointed as the statutory auditors of your Company at the last annual general meeting to hold office till the conclusion of the next annual general meeting. The Company has received a certificate from the statutory auditors to the effect that their re-appointment if made, would be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956. Your directors recommend for their re-appointment and to fix their remuneration.

**13. Subsidiary Company:**

Your Company had incorporated a wholly owned foreign subsidiary company in the name of Gwalior Chemicals bvba in March, 2005 under the laws of the Belgium with an objective of carrying on the business of selling products manufactured by our Company in the European Markets. The Annual Accounts of the said Company are annexed to and forming part of the Annual report.

Your Company has also incorporated a wholly owned foreign Subsidiary Company in the name of Gwalior Chemicals LLC in May, 2008 under the law of the United State of America, with the objective of carrying on business of selling products manufactured by our Company in the American Markets, being no business in the said Company Balance Sheet does not form part of this annual report.

Your Company has also incorporated a wholly owned Indian NBFC Subsidiary in the name of GCIL Finance Limited with the initial paid up capital of 250 lacs. The Annual Accounts of the said Company are annexed to and forming part of the Annual Report.

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies is given in **Annexure – A** to the report.

**14. Insurance**

The Company's assets continued to be adequately insured against the risk of Fire, Riot, Earthquake, loss of profits, etc. The major insurance policies renewed by the Company during the year and sum insured are as follows: -

Policy Particulars	Sum Insured (Rs in Lacs)
Standard Fire and Special Perils Policies (All manufacturing units of GCIL)	35082
Director's & Officer's Liability Policy	300
Consequential Loss of Profit Policy	15000
Public Liability (Act) Policy	500
Public Liability (Market Agreement) Policy for Transportation Cover	100
Machinery Breakdown Policies	271
Group Personal Accident Policy for Employees	3184

**15. Fixed Deposits**



The Company has not accepted or renewed any fixed deposit from the public during the year under review.

**16. Personnel**

Personal relations with all employees and workers remained cordial and harmonious throughout the year. Your directors wish to place on record their sincere appreciation for the devoted services of all the employees and workers of the Company.

**17. Particulars of employees**

Particulars of employees who are in receipt of remuneration prescribed under section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employees), Rules 1975, as amended, are enclosed as **Annexure – B** to the Report.

**18. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars as required under section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 are set out in Form A attached to this Directors' Report.

**19. Safety, Health & Environment (SHE)**

The Company is committed to conducting its operation with due regard to the environment and providing safe and healthy work place for employees. The collective endeavor of the Company's employees at all level is directed towards sustaining and continuously improving standards of SHE in a bid to attain and exceed international benchmarks. The world class practices like TPM, ISO systems and periodical audits are in place to ensure the compliances and to improve the standards.

**20. Corporate Governance**

The Company has taken requisite steps to comply with the recommendations concerning the Corporate Governance. A Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of this Report.

A Separate report on Corporate Governance forms part of this Annual Report.

**21. Acknowledgement**

Your Directors express their sincere thanks to the Financial Institutions, Bankers, Stock Exchanges, regulatory agencies, Central and State Government Authorities particularly in Madhya Pradesh, Customers, Suppliers and other business associates for their continued cooperation and patronage. The Company is thankful to the shareholders for reposing trust in the Company and their unflinching enthusiasm and patronage. We are fully appreciative of the contribution made by the employees at all levels for the continued growth and performance by the Company.

On behalf of the Board of Directors

**K. N. Luhariwala**  
Executive Director

**V. P. Biyani**  
Executive Director

Date: 08th June, 2009  
Place: Mumbai



## FORM 'A'

Disclosure of particulars with respect to Conservation of Energy: -

<b>A POWER CONSUMPTION</b>		<b>2008-2009</b>	<b>2007-2008</b>
<b>1. Electricity</b>			
<b>a. Purchased</b>			
Units	( Kwh)	13651485	13660291
Total Amount	(Rs.)	61055862	59478299
Rate/Unit	(Rs./Kwh)	4.47	4.35
<b>b. Own Generation [DG Set]</b>			
Units	( Kwh)	850416	444736
Total Amount	(Rs.)	8941446	4270925
Rate/unit	(Rs./Kwh)	10.56	9.60
<b>c) Own Generation [Wind Mill]</b>			
Units	( Kwh)	549574	544764
Total Amount	(Rs.)	2121355	2074079
Rate/Unit	(Rs./Kwh)	3.86	3.80
<b>B UNIT CONSUMPTION PER TON OF PRODUCTION</b>			
Products – Chloro Toluene Products & Others. (Gross Production) in M T (Excluding HCL)	113483	100484	
Electricity (Kwh/Ton) Units	133	146	
<b>C FOREIGN EXCHANGE EARNINGS &amp; OUTGO</b>			
1. Total Foreign Exchange Earning			
- F.O.B. Value of Export (Rs in lacs)	13841.30	8776.34	
2 Total Foreign Exchange used ( Rs in lacs)	5333.65	5184.68	

On behalf of the Board of Directors

**K. N. Luhariwala**  
Executive Director

Date: 8<sup>th</sup> June, 2009  
Place: Mumbai

**V. P. Biyani**  
Executive Director



**ANNEXURE - A**

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies.

<b>Name of the Subsidiary Company</b>		<b>GCIL Finance Limited – India</b>	<b>Gwalior Chemicals bvba – Belgium</b>	<b>Gwalior Chemicals LLC – USA</b>
The Financial Year of the Subsidiary Company ended on		31.03.2009	31.03.2009	Newly Incorporated
Number of Shares held and extent of holding thereof by the holding Company, at the above date				
a)	The number of equity shares	25,00,000	100	*Nil as on date
b)	Face Value of each share	Rs. 10 (Ten)	€ 1 (One)	\$ 1 (One)
c)	Extent of holding in percentage terms	100 %	100 %	100%
The net aggregate profits or (losses) of the Subsidiary Company for the current financial year so far as it concerns the member of the holding Company		Rs 3.14 Lacs	(10275) Euro	No Business activity during the year
The net aggregate profits or (losses) of the Subsidiary Company for the previous financial year so far as it concerns the member of the holding Company		N. A (Being first year of business)	4413 Euro	No Business activity during the year

\* Note: Gwalior Chemicals LLC have been incorporated in the USA on 5th May, 2008, however nothing has been contributed to the paid up capital of the Company as of date.

On behalf of the Board of Directors

**K. N. Luhariwala**  
Executive Director

Date: 08th June, 2009  
Place: Mumbai

**V. P. Biyani**  
Executive Director

## ANNEXURE - B

Information as per Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors Report for the year ended March 31, 2009

Name and Age of the employee	Designation	Qualifications	Date of Joining	Experience	Gross Remuneration	Nature of Employment	Nature of Responsibilities
Shri. Ashwin Kumar Kothari - 66 Years	Chairman and Executive Director	Graduates in Chemical Sciences from Massachusetts Institute of Technology, USA.	Since Inception	30 Years	59,52,195	Shareholders Resolution	Looks after Business Strategy and Manages New Projects
Shri. Harisingh Shyamsukha - 58 Years	Executive Director	Chemical Engineer from Jadhavpur University, west Bengal.	Since Inception	30 Years	59,52,193	Shareholders Resolution	Looks after the new product development and international marketing.
Shri. V. P. Biyani - 60 Years	Executive Director	Chartered Accountant	Since 1980	36 Years	26,39,368	Shareholders Resolution	Resident Directors and CEO



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Industry Structure and Developments:

Gwalior Chemical Industries Ltd. (GCIL), came in to existence in later seventies (1978-79) with a small scale production of Benzyl Chloride. Today, GCIL is one of the leading manufacturers of niche chemicals in India for Agro-Chemicals, Pharmaceuticals, Flavors & Fragrance and Dye & Paint industries. Our business mainly comprises of manufacturing and marketing of chlorinated compounds and their derivatives. Our range of chlorinated compounds primarily includes Chlorotoluene and Sulphur Chloride ranges. In the Chlorotoluene range the primary products are Benzyl Chloride, Benzal Chloride, Benzaldehyde and Benzyl Alcohol. In Sulphur Chlorides range the main products are Thionyl Chloride, Sulphuryl Chloride and Sulphuridichloride. The company has developed the network to serve directly the customers to the maximum benefit for cost and delivery.

At present the company has 7 plants located across two chemical facilities at Nagda and Ankleshwar. Both the Nagda and Ankleshwar Facilities are ISO 9001 : 2008, ISO 14001 : 2004 and OHSAS 18001 : 2007 certified.

### Organizational Culture:

Gwalior Chemical Industries Ltd., is a learning organization, believe in participative management. The Company aims to maximize production efficiency and customer delight by involving all people and functions to prevent losses and to maintain Zero Accident, Zero Breakdown, Zero Customer Complaint, Zero Defect, and Zero Environment Pollution in a continual process of improvement. The company has adopted TPM (Total Productive Maintenance), designed by JIPM (Japan Institute of Plant Maintenance), to improve the efficiency and performance of the plants by eliminating Break down Losses and Defects.

The Company has a focused Mission "To produce and market World Class Specialty and Fine Chemicals to create value for all stakeholders and society". The company is working on Customer-Driven Excellence as a strategic concept. It is directed toward customer retention and loyalty, market share gain and growth. It demands constant sensitivity to changing and emerging customer and market requirements and to the factors that drive customer satisfaction and loyalty. The values that company value are "Integrity, Innovation, Team Work, Empowerment, Result Oriented Culture, Customer-driven Excellence".

### Opportunities & Threats:

The Company has handled adverse effects of largest recession of century extremely well. Our well designed product basket with recognized quality coupled with strong domestic industrial base has enabled us to deal situation squarely.

The products of the Company are focused primarily on the agrochemicals, pharmaceuticals, dyes and flavors & fragrance industry and as a result, our operations are significantly influenced by the trends of the aforesaid industries. The Company sees a robust growth in the industries in supplies too. On the other hand availability, cost and quality of inputs like chlorine, steam and electricity have a significant impact on the working of the Company.

### Risk & Concerns:

The Company is working in a globally competitive business environment and is dependent upon few key customers; any loss of such significant customers would adversely affect the working of the Company. Moreover, most of the arrangements with the customers are without any commitment to future work. Termination of such arrangements could also have a substantial impact on the working of the Company. Besides, exchange rates fluctuations and general economic situation could have impact on the working of the Company.

### **Regulatory Environment:**

In view of the on-going expansion programme and as a good corporate citizenship, GCIL has set aside special provisions in the budget to incur expenditure for the compliance of environmental regulations.

GCIL is exporting its products to Europe, our products will be subjected to registration under REACH. The REACH stands for Registration, Evaluation, Authorization and Restriction of Chemicals. This is a new European Union's chemical regulation entered into force on 1st June, 2007. As per this new regulation, all substances manufactured or imported in Europe in quantities greater than one ton per year will need to be registered under REACH. GCIL has pre-registered in prescribed period, ten of its major products and is already on the road ahead to register these products before various registration dead lines.

### **Future Outlook:**

The company's future plans are based on market study, trend and SWOT Analysis as well as our perception of growth in the demands of our key products in the domestic and international markets. The key drivers of such growth are increased domestic consumption and global outsourcing trends in the agrochemicals and pharmaceuticals and certain other niche specialty chemical industry. A fully integrated facility helps us to become cost effective and expand our market opportunities for our products. These forward integration measures are in various stages of implementation and commissioning.

Our objective is to concentrate on better margin yielding products and exploit growing market opportunities for these products, we have laid down the strategy to manufacture downstream products of benzyl chloride, benzaldehyde and thionyl chloride. For this purpose, we plan to manufacture a range of products primarily comprising benzyl salicylate, benzyl benzoate, cinnamic aldehydes and hexyl cinnamic aldehydes. A fully integrated facility will help us become cost effective and expand our market opportunities for our current products.

### **Internal Control Systems and their adequacy:**

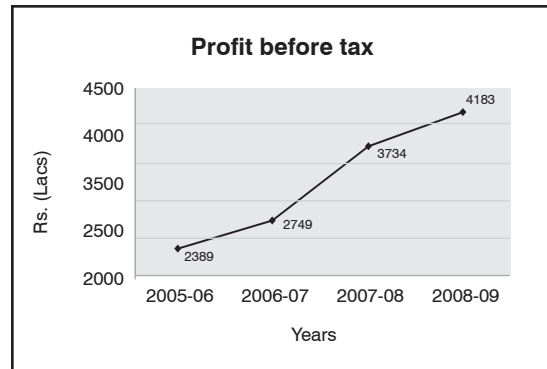
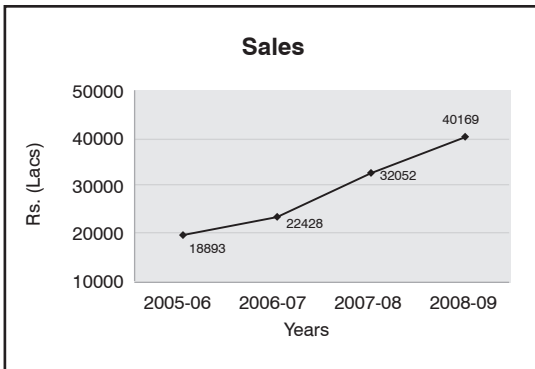
Gwalior Chemical Industries Ltd., has an internal control procedures formulated by the management so that we have structured system for:

- Business planning and achievement of goals
- Evaluation of risks
- Ensuring reliability of financial and operational reporting
- Ensuring legal and regulatory compliance, and
- Adequate control against fraud and negligence.

Fully integrated and computerized financial accounting system, which is supported by the in built controls, ensures reliable and timely financial reporting. Internal Auditors periodically review the controls and compliance of laws and regulations, and the environment under which the internal controls exist. Financial accounting and audit systems also provide controls to eliminate frauds and loss due to negligence. Internal Audit Reports are reviewed by the Audit Committee of the Board.

### **Financial/ Operational performance:**

Financial and Operational performance for the year 2008-09 as compared to the previous year furnished in detail in the Directors Report. The trends of the sales and profit before tax are indicated below for four years showing a remarkable progressive performance even under the stress of recession.



**Research and Development:**

We believe that the qualities of our processes are integral part to our ability of manufacturing quality products at competitive prices and to retain and attract our customers. Improvement in our quality processes enables us to benefit from increased productivity, improved quality, reduced costs, on-time delivery and greater reliability.

**Industrial Relations and Human Resource Management:**

The Industrial relations remained normal at all locations and there were no significant labour issues outstanding or remaining unresolved during the year. The Board of Directors and the Management wish to place on record their application of the efforts put in by all employees to achieve record performance.

The ultimate aim of the management is to create a dependable work force that will play a key role in transforming this Company in to a global player in the industry. To achieve the highest levels of organizational performance company has a well-executed approach to organizational and personal learning that includes sharing knowledge via systematic processes. Organizational learning includes both continuous improvement of existing approaches and significant change or innovation, leading to new goals and approaches.

The table below provides details of our employees:

Employees	No. of employees As on 31st March 2009
Operating, Administrative & Staff	293
Temporary Staff	51
Permanent Workers	55
Temporary Workers	01
<b>Total</b>	<b>400</b>

**Cautionary Statements:**

*Some of the statements in this Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially from those expressed or implied. Important developments that could affect the Company's operations include changes in the industry structure, significant changes in political, economical and agricultural environment in India, tax laws, import duties, litigation and labour relations.*

**Report on Corporate Governance**

**I. COMPANY’S PHILOSOPHY ON CORPORATE GOVERNANCE:**

Your Company adheres to good corporate practices and is constantly striving to better them and adopt the best practices. It is believed that adherence to business ethics and commitment to corporate social responsibility would help the Company achieve its goal of maximizing value for all its stakeholders. Your Company is fully committed to and continues to adopt procedures and practices in conformity with the code of Corporate Governance as required in the Listing Agreement. Your Company in order to realize its mission and achieve consistent growth on a sustained basis, maintains highest standards of corporate values and ethics in corporate administration, fully realizing the significance of corporate social responsibility and its obligations towards the stakeholders, customers, employees, society at large and the Government.

The Company has complied with all mandatory requirements under the revised Code of Corporate Governance as enunciated in clause 49 of the Listing Agreement.

**II. BOARD OF DIRECTORS:**

The Board of Directors of the Company consists of Ten Directors with fifty percent of them being independent directors. The Board is headed by the Chairman cum Executive Director, three other Executive Directors, one non-executive director, and five Independent Directors. All Directors, Executives / Non-executive & Independent Directors are professionally competent and highly experienced and eminent in their respective field. None of the Independent Directors have any pecuniary relationship with the Company, its promoters and its management.

None of the Directors is a Member of more than 10 Committees or Chairman of more than 5 Committees across all the Companies in which he is a Director. Necessary disclosure regarding Committee positions in other companies as on March 31, 2009 have been made by the Directors.

The meetings of the Board of Directors are scheduled well in advance. Four Board Meetings were held during the financial year 2008-2009, as against minimum requirement of four meetings. The dates on which the Four Board Meetings were held are as follows:

27th May, 2008                      28th July, 2008                      31st October, 2008                      29th January, 2009

The attendance record of the directors at Board Meetings during the year and at the last Annual General Meeting and the number of directorships and committee memberships held by them in other public companies as at 31st March, 2009 are given below:

Name of the Director	Category of Directorship	No. of Board Meetings held during the year *(4)	Attendance at the last Annual General Meeting	No. of outside Directorship(s) in other Public Companies		No. of outside Committee positions in other Public Companies	
				Chairman	Member	Chairman	Member
		Attended					
Shri. Ashwin Kumar Kothari DIN : 00033730	Promoter, Chairman & Executive	3	Yes	Nil	11	1	2
Shri. Harisingh Shyamsukha DIN : 00033325	Promoter, Executive	3	Yes	Nil	1	Nil	Nil



Shri. Vallabh Prasad Biyani DIN : 00043358	Executive	4	Yes	Nil	Nil	Nil	Nil
Shri. K. N. Luhariwala DIN : 00036889	Executive	4	Yes	1	Nil	Nil	Nil
Shri. Rakesh Khanna DIN : 00040152	Independent	4	Yes	Nil	6	4	Nil
Shri. B. P. Kejarawal DIN : 00233792	Independent	0	No	Nil	Nil	Nil	Nil
Shri. Milan Mehta DIN : 00003624	Independent	3	No	Nil	1	Nil	Nil
Shri. K. P. S. Dagur ** DIN : 00070079	Nominee (IDBI)	1	No	Nil	1	Nil	Nil
Shri. Rohit Kothari DIN : 00054811	Non- Executive	4	Yes	Nil	6	Nil	1
Shri. Pratap R. Merchant DIN : 00022223	Independent	3	Yes	Nil	3	2	1
Shri. Suresh Tapuriah *** DIN : 00372526	Independent	1	No	Nil	5	Nil	Nil

\* The figure mentioned in the bracket denotes the number of Board Meetings held during the year 01/04/2008 to 31/03/2009

\*\* Nomination of Director withdrawn with effect from 01st September, 2008

\*\*\* Joined as Independent Director on the Board with effect from 29th January, 2009

The Board is apprised and informed of all the important information relating to the business of the Company including those listed in Annexure – 1A of Clause 49 of the Listing Agreement. The Chairman of the Board, CEO & CFO and the Company Secretary discuss the items to be included in the Agenda and the Agenda is sent in advance to the Directors along with the draft of the relevant documents and explanatory notes wherever required, to enable the Board to discharge its responsibilities effectively and take informed decisions.

### III. AUDIT COMMITTEE

#### (a) Constitution and Composition:

The Audit Committee of the Company is constituted in line with the provisions of clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The Audit Committee consists of 3 nos. of Directors of which majority is independent directors namely:

1. Shri Rakesh Khanna.
2. Shri V. P. Biyani.
3. Shri Pratap R. Merchant.



Shri Rakesh Khanna is a qualified Chartered Accountant and has sufficient accounting and financial knowledge on corporate related matters and taxation, acts as the Chairman of the Committee. Mr. Sanjeev Pathak, Company Secretary acts as the secretary to the Committee.

The Committee acts as link between the Management, the Statutory Auditors, Internal Auditors and the Board of Directors and overview the financial reporting process.

The role, terms of reference of the Audit Committee include the matters specified under Sub-Clause D and E of clause 49 II and disclosures under Clause 49 IV (A) of the Listing Agreement. Thus, the terms of reference of the Audit Committee are wide enough covering the matters specified below:

**(b) Terms of Reference:**

The role, terms of reference of the Audit Committee include the matters specified under Sub-Clause D and E of clause 49 II and disclosures under Clause 49 IV (A) of the Listing Agreement. Thus, the terms of reference of the Audit Committee are wide enough covering the matters specified below:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
  - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems;
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
8. Discussion with internal auditors any significant findings and follow up there on;



9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
11. To look into the reasons for substantial defaults in the payment to the depositors, shareholders (in case of non payment of declared dividends) and creditors;
12. To review the functioning of the Whistle Blower mechanism of the Company;
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee also reviews the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions, submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control and weaknesses; and
5. The appointment, removal and terms of remuneration of the Internal auditor shall be subject to review by the audit committee

**(c) Meetings of Audit Committee and Attendance:**

During the Year under review 4 (four) Meetings of Audit Committee were held on 27th May, 2008, 28th July, 2008, 31st October, 2008 and 29th January, 2009 to consider and review the quarterly results and Annual Accounts to be placed before the Board for their approval.

<b>Name of the Director</b>	<b>No. of Meetings</b>	<b>Meetings attended</b>
Rakesh Khanna	4	4
V. P. Biyani	4	4
Pratap R. Merchant	4	3

**IV. REMUNERATION COMMITTEE**

**(a) Remuneration Policy:**

- The Remuneration of employees largely consists of basic remuneration and perquisites to be paid to them.
- The component of the total remuneration varies for different grades and is governed by Industry pattern, qualifications and experience of the employee, responsibilities handled and individual performance, etc.
- The objectives of the remuneration policy are to motivate employees to excel in their performance, recognize their contribution and to retain talent in the organization and accord merit.

(b) Responsibility of Remuneration Committee:

The Remuneration Committee is responsible to determine the amount of salary, perquisite etc... to be paid to Wholetime Directors, Executive Directors, etc. The recommendations so made by them are considered for approval by the Board of Directors subject to the approval of the shareholders.

The Remuneration Committee grants and recommends any annual increment in salary within the salary scale sanctioned by shareholders on the basis of merit and taking into account the company's performance.

(c) Composition of Remuneration Committee:

The Remuneration Committee consists of 4 independent directors namely

- [1] Shri Rakesh Khanna – Chairman.
- [2] Shri B. P. Kejariwal – Member.
- [3] Shri Milan Mehta – Member.
- [4] Shri Pratap R. Merchant – Member.

(d) Meetings of Remuneration Committee and attendance:

During the Year under review 1 (one) Meetings of Remuneration Committee was held on 28th July, 2008, to consider and revise the remuneration paid to Executive Directors and CFO of the Company.

Name of the Director	No. of Meetings	Meetings attended
Rakesh Khanna	1	1
Pratap R. Merchant	1	1
Milan Mehta	1	Nil
B. P. Kejariwal	1	Nil

(e) Details of Remuneration paid to the Executive Directors:

All the Executive Directors are being paid remuneration within the limits stipulated by Schedule XIII of the Companies Act, 1956 as under:

Executive Directors	Remuneration (including all elements of remuneration package i.e. salary, perquisites, allowances, provident fund contribution, etc.) paid during financial year 2008-2009
Shri A.K. Kothari	Rs. 59.52 Lacs
Shri Harisingh Shyamsukha	Rs. 59.52 Lacs
Shri K.N. Luhariwala	Rs. 17.52 Lacs
Shri V.P. Biyani	Rs. 26.39 Lacs



(f) Details of Remuneration paid to the Independent Directors:

All the Independent Directors are paid remuneration by way of Sitting Fees, the details of which are as under:

<b>Independent &amp; Non-Executive Directors</b>	<b>Remuneration (Sitting Fess) paid during financial year 2008-2009</b>	<b>Number of shares held as of 31st March, 2009</b>
Shri Rakesh Khanna	Rs. 66,500	Nil
IDBI Bank Limited (Shri K. P. S. Dagur)	Rs. 6,000	Nil
Shri. Milan Mehta	Rs. 23,000	Nil
Shri. Pratap R. Merchant	Rs. 50,500	1000
Shri B. P. Kejariwal	Nil	Nil
Shri. Rohit Kothari	Nil	1,45,200
Shri. Suresh Tapuriah	Rs. 8,500	Nil

Note: Besides payment of Sitting Fees to Independent Directors only, and dividend on ordinary shares held, if any, by the directors, no other payments have been made or transactions of a pecuniary nature entered into by the Company with the directors.

**V. SHAREHOLDERS’/INVESTORS’ GRIEVANCE COMMITTEE**

**a) Composition of Investors’ Grievance Committee**

The Investors’ Grievance Committee consists of four directors as its member’s viz. Shri. B. P. Kejariwal, Shri Rakesh Khanna, Shri K.N. Luhariwala and Shri V.P. Biyani. Shri B. P. Kejariwal, Independent Director is the Chairman of the Committee. Mr. Sanjeev Pathak, the Company Secretary also discharges the function of the secretary of the Committee.

**b) Brief description of terms of reference**

The Committee is responsible to oversee and review all matters connected with transfer and transmission of shares, issue of duplicate share certificates, etc. The Committee is also responsible for redressal of investors’ grievances, non-receipt of share certificates, non-receipt of declared dividends, annual reports, etc.

**c) Number of complaints received and redressed**

The details of complaints received, cleared/pending during the financial year 2008-2009 are given below:-

<b>Particulars</b>	<b>No. of Complaints at the beginning of the year</b>	<b>Received during the year</b>	<b>Cleared / attended during the year</b>	<b>Pending at the end of the year.</b>
Non Receipt of Certificate	Nil	1	1	Nil
Non Receipt of Dividend	Nil	2	2	Nil
Issue of Fresh Demand Draft	Nil	7	7	Nil
Non Receipt of Annual Report	Nil	3	3	Nil
Others	Nil	2	2	Nil

15 complaints were received during the financial year and all of them have been redressed / answered to the satisfaction of the shareholders. No investor's grievance remained unattended / pending for more than 30 days and no request for share transfers and dematerialisation received during the year was pending for more than two weeks.

**VI. SUBSIDIARY COMPANY**

The Company does not have material non-listed Indian Subsidiary Company whose turnover or networth (i.e. Paid-up Capital and Free Reserves) exceeds 20% of the consolidated Turnover or Networth respectively of the Company and its subsidiary in the immediately preceding accounting year.

The Company has incorporated a wholly owned Indian Subsidiary with the initial paid up capital of 250 lacs, in the name of GCIL Finance Limited, Auditor Report and Balance Sheet with Profit and Loss Accounts with Schedules thereon are forming part of the Annual Report.

The Company has also incorporated a wholly owned Subsidiary Company in the name of Gwalior Chemicals LLC in May, 2008 under the law of the United State of America, Initially for the trading activity of the product of Gwalior Chemical Industries Limited, however Company has not done any business in this Subsidiary Company.

The Company has incorporated a wholly owned subsidiary company in the name of Gwalior Chemicals bvba in March, 2005 under the laws of Belgium.

The Company monitors the performance, inter alia, by the following means:

- The Audit Committee of the Company reviews the Financial Statements.
- The Minutes of the Board Meeting of the subsidiary company are noted at the Board Meeting of the Company.
- Details of significant transactions and arrangements entered into by the Foreign Unlisted subsidiary company are placed before the Board of the Company as and when applicable.

**VII. CHIEF EXECUTIVE OFFICER (CEO) / CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION**

As required under Clause 49(V) of the Listing Agreement, the CEO and CFO Certification of the Financial Statements, the Cash Flow Statement and the Internal Control Systems for the financial reporting is enclosed to this Report.

**VIII. GENERAL BODY MEETINGS**

**(a) Location and time of last 3 Annual General Meetings:**

<b>Financial Year</b>	<b>Date</b>	<b>Time</b>	<b>Venue</b>
2005-2006	22.05.2006	03.00 p.m.	K.K. Chambers, 4th Floor, Sir Purushottamdas Thakurdas Marg, Fort, Mumbai – 400001.
2006-2007	31.07.2007	03.30 p.m.	The Mysore Association, 393 Bhaudaji Road, Near Maheshwari Udyan, Matunga, Mumbai – 400 019.
2007-2008	28.07.2008	04.00 p.m.	M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, K. Dubash Marg, Fort, Mumbai – 400001.



**(b) Special resolutions passed in the previous three AGMs:**

The Company has not passed any special resolution in any of the last three AGMs, Special Resolution for Alteration of Article of Association of the Company for the purpose of increasing the Authorized Capital from Rs. 27 Crores to Rs. 50 Crores has been done in the Extraordinary General Meeting held on 28th Day, January, 2008.

**(c) Resolutions passed through Postal Ballot announced on 21st October, 2008:**

- 1) Special Resolution – Revision /Enhancement of remuneration payable to Shri Gaurav Shyamsukha – CFO of the Company under Section 314(1B) of the Companies Act, 1956.
- 2) Ordinary Resolution – Increase in the Borrowing Limits from 200 Crores to 500 Crores under Section 293(1) (a) of the Companies Act, 1956.
- 3) Ordinary Resolution – Revision / Enhancement of Remuneration payable to Shri. Ashwin kumar Kothari – Chairman and Executive Director of the Company.
- 4) Ordinary Resolution – Revision / Enhancement of Remuneration payable to Shri. Harisingh Shyamsukha – Executive Director of the Company.

**(d) Resolutions passed through Postal Ballot announced on 27th July, 2009:**

- 1) Ordinary Resolution – to convey, transfer, assign, deliver or otherwise dispose of the chemicals business and wind power business, together with their respective assets and liabilities in the manner set out in the Business Transfer Agreement dated June 8, 2009, between the Company and LANXESS India Private Limited as going concern on a slump sale basis for a lumpsum consideration of the rupee equivalent of Euro 82.4 million on a cash and debt free basis, subject to price adjustments as set out in the Business Transfer Agreement and to the fulfillment of the terms and conditions and provisions set forth in the Business Transfer Agreement, under Section 293(1)(a) of the Companies Act, 1956

Postal ballot was conducted as per Section 192A of the Companies Act, 1956, read with the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001. Mr. Nishant Jawaasa, a practicing Company Secretary was appointed as Scrutinizer in the above mentioned resolutions. All the above mentioned resolution was passed by majority of the Shareholders voting in favour of the resolutions.

**IX. DISCLOSURES AND DETAILS OF NON-COMPLIANCES:**

1. **Related Party Transactions:** Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, directors or the management, their subsidiaries or relatives, that may have potential conflict with the interests of Company at large:

Among the related-party transactions are contracts or arrangements, made by the Company from time to time with Companies in which the Directors are interested. All these contracts or arrangements are entered in the Register of Contracts under Section 301 of the Companies Act, 1956.

The Company has not entered into any transaction of material nature with the directors, their relatives or management, which were in conflict with the interest of the Company. The transactions with its promoters, associate companies, etc. of routine nature have been reported elsewhere in the annual report as per the Accounting Standard (AS 18) issued by the Institute of Chartered Accountants of India.

2. **Compliance by the Company:** Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority, on any matter related to capital markets, during the last three years:

The Company made Initial Public Offer of 98,76,543 equity shares and the same were allotted on 26th September, 2006 and the shares got listed on BSE and NSE on 4th October, 2006. Since then the Company had been complying with the requirements of the Stock Exchanges, SEBI and other authorities on all matters relating to capital markets. The Stock Exchange, SEBI or other statutory authorities relating to the above have imposed no penalties or strictures on the Company.

3. **Code of Conduct:** The Company is committed to conducting its business in conformity with ethical standards and applicable laws and regulations. This commitment stands evidenced by Model Code of Conduct adopted by the Board of Directors at their meeting held on 25th January, 2007, which is applicable to each member of the Board of Directors and senior management of the Company. The Company has received confirmations from all the Directors and Senior Management of the Company regarding compliance with the said Code for the year ended 31st March, 2009.

A Certificate from Shri. K. N. Luhariwala & Shri. V. P. Biyani, Executive Directors to this effect forms part of this Report. The said Code is also posted on the website of the Company [www.gwaliorchemicals.com](http://www.gwaliorchemicals.com).

4. **Whistle Blower Policy:** The Company has already put in place a mechanism for employees to report to the Management, concerns about unethical behavior, actual or suspected fraud or violation of the Companies Code of Conduct or Ethics Policy. The said Policy provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the higher levels of supervisors, managers including the Audit Committee.

5. **Board Disclosures :**

- a. **Risk Management :** Currently, the Company's risk management approach comprises of the following –

- Governance of Risk
- Identification of Risk
- Assessment and control of Risk

The risks have been prioritized through a company wide exercise. Members of Senior Management have undertaken the ownership and are working on mitigating the same through co-ordination among the various departments, insurance coverage, directors and officers' liability policy and personal accident coverage for lives of all employees.

Your Company has put in place the risk management framework, which helps to identify various risks cutting across the business lines. These risks are identified and are discussed by the representation from various functions.

Presentation to the Board of Directors and the Audit Committee is made on risk management. The Board and the Audit Committee provide oversight and review the risk management policy periodically.

- b. **Internal Control System:** Your Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring



compliance of internal policies. The Company has a well defined delegation of power with authority limits for approving revenue as well as capital expenditure. Processes for formulating and reviewing annual and long term business plans have been laid down to ensure adequacy of the control system, adherence to the management instructions and legal compliances. The Company uses ERP (Enterprise Resource Planning) system to record data for accounting and connects to different locations for efficient exchange of information. This process ensures that all transaction controls are continually reviewed and risks of inaccurate financial reporting, if any, are dealt with immediately.

The Company's internal control system covers the following aspects –

- Financial propriety of business transactions
- Safeguarding the assets of the Company
- Compliance with prevalent statutes, listing agreement, management authorizations, policies and procedures.

The Audit Committee of the Board periodically reviews audit plans, observations and recommendations of the Internal and External Auditors, with reference to the significant risk areas and adequacy of internal controls and keeps the Board of Directors informed of its major observations from time to time.

### **X. MEANS OF COMMUNICATION TO SHAREHOLDERS**

#### **[a] Adoption and Publication of quarterly and half yearly results**

The quarterly results are generally published in 'Business Standard' and 'Sakal' OR in Economic Times and Maharashtra Times and OR in Financial Express and Mumbai Lakshadeep. The results are also displayed on the website of the Company [www.gwaliorchemicals.com](http://www.gwaliorchemicals.com) shortly after its submission to the Stock Exchanges.

#### **[b] Web site of the Company**

The Company has created a web site addressed as [www.gwaliorchemicals.com](http://www.gwaliorchemicals.com)

#### **[c] Management Discussion and Analysis Report**

The Management Discussion and Analysis Report are annexed to the Annual Report.

#### **[d] Meeting & Presentation to Institutional Investors / Analysts**

Meeting and Presentation are given to the Institutional Investors / Analysts by Shri Gaurav Shyamsukha – CFO of the Company as and when required, or requested by the Institutional Investors / Analysts.

#### **[e] Edifar Filing**

As per Clause 51 of the Listing Agreement, Company had already made an application for registration for filing required data on the EDIFAR website, the confirmation is yet to be received, as soon as the same gets confirmed data will be electronically filed on the website [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in) within the timeframe prescribed in this regard.



**XI. GENERAL SHAREHOLDERS INFORMATION**

**1. Annual General Meeting:**

Date	:	17th September, 2009
Day	:	Thursday
Time	:	4.00 pm
Venue	:	M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai – 400 001.

**2. Financial Calendar:**

[a] 25th Annual General Meeting to be held on 17th September, 2009 at M. C. Ghia Hall, 2nd Floor, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai – 400 001.

[b] Quarterly Results: -

Quarter	Tentative Dates of Board Meeting for [F.Y. 2009-2010]
1st Quarter Results	Last week of July, 2009.
IInd Quarter Results	Last week of October, 2009.
IIIrd Quarter Results	Last week of January, 2010.
IVth Quarter Results	Last week of April, 2010.

**3. Book Closure Date:**

The Share Transfer books and Register of Members will remain closed from 09th September, 2009 to 17th September, 2009 (both days inclusive).

**4. Dividend Payment Date:**

The Dividend for the year ended 31st March, 2009 will be paid to the members whose names will appear on the Register of Members of the Company on 09th September, 2009 after giving effect to all valid transfer of shares in physical form lodged with the Company on or before 08th September, 2009 at the end of business hours and in respect of shares held in demat form, the members whose names appear on the statement of beneficial ownership furnished by NSDL and CDSL at the end of business hours on 08th September, 2009.

Dividend will be paid within 30 days from the date of approval by the members at the Annual General Meeting i.e. 17th September, 2009.

**5. Listing on Stock Exchanges:**

The Company is listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. The annual fees have been paid and there is no outstanding payment towards the Exchanges, as on date.

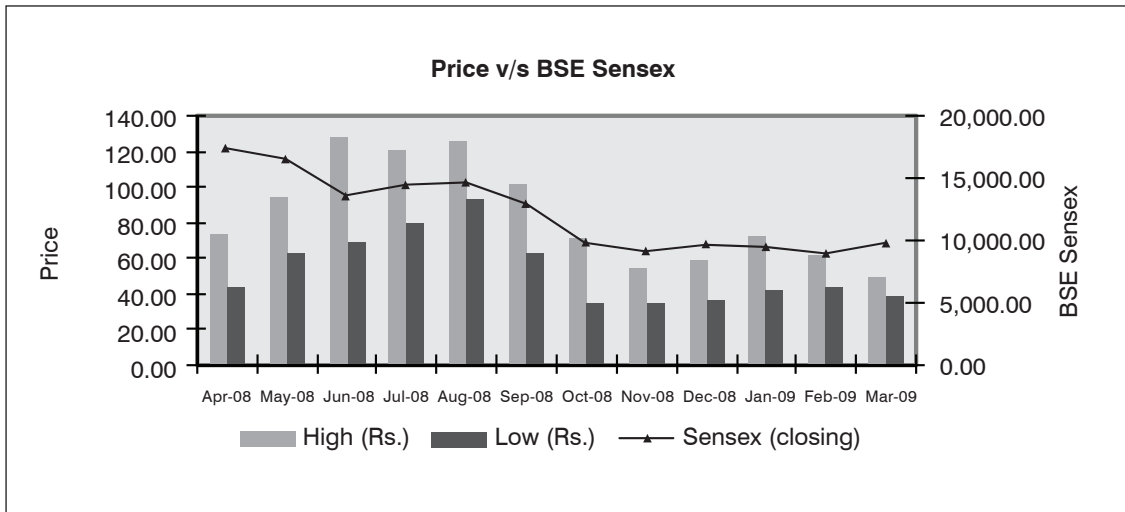
- i. Stock Code : **532764** on Bombay Stock Exchange Limited  
: **GWALCHEM** on National Stock Exchange of India Limited.
- ii. ISIN No. for NSDL and CDSL : **INE916G01016**

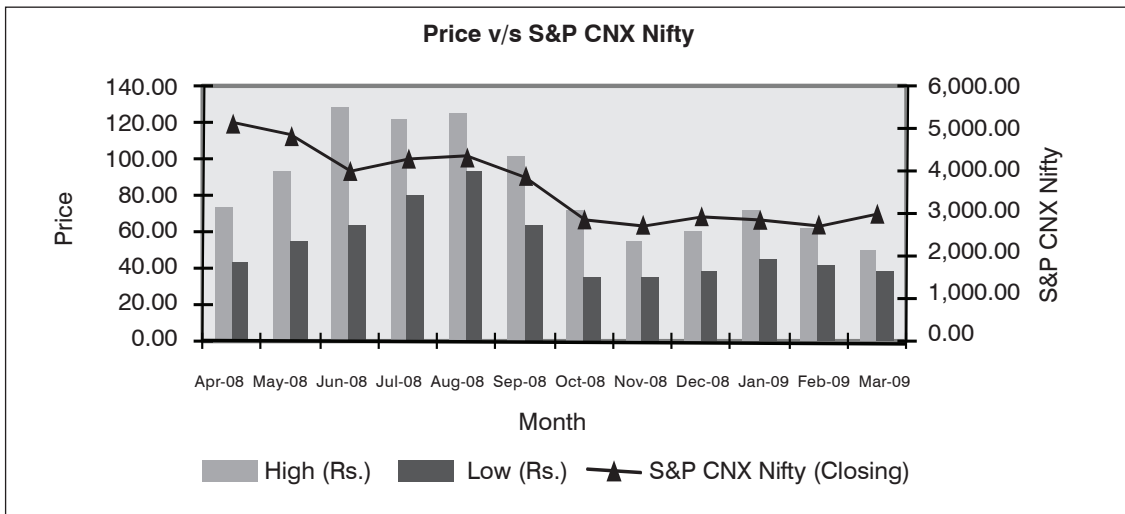


**6. Market Price Data:**

The High Low prices of the Company's share (of face value of Rs. 10/- each) from April, 2008 to March, 2009 are as below:

Month	Bombay Stock Exchange Ltd.		The National Stock Exchange of India Limited	
	High (in Rs.)	Low (in Rs.)	High (in Rs.)	Low (in Rs.)
April, 2008	73.10	43.90	72.75	43.20
May, 2008	94.00	62.50	93.70	54.25
June, 2008	127.90	69.00	128.40	63.55
July, 2008	120.40	80.05	121.00	80.05
August, 2008	125.30	93.00	125.50	93.60
September, 2008	101.45	62.60	101.70	63.10
October, 2008	71.80	35.20	71.00	34.80
November, 2008	54.70	34.60	54.25	35.10
December, 2008	59.20	36.00	59.30	37.55
January, 2009	72.30	42.00	72.05	44.50
February, 2009	61.00	43.00	61.00	42.15
March, 2009	49.45	39.00	50.00	38.90





**7. Shareholding Pattern of the Company as on 31st March, 2009:**

Category	No. of Equity Shares	%
<b>Promoter and Promoter Group:</b>		
Promoters and promoters group	8698370	35.25
Promoter Group (Bodies Corporate)	6101630	24.73
<b>Public:</b>		
Mutual Funds	2065754	08.37
Central / State Government / Financial Institution	100	00.00
Foreign Institutional Investors	3909515	15.84
Bodies Corporate	760388	03.08
Public - Resident Individuals	2904402	11.79
Directors	2355	00.00
Clearing Members	54078	00.22
NRI	22129	00.09
Market Makers	30755	00.12
HUF	127067	00.51
<b>Grand Total</b>	<b>24676543</b>	<b>100</b>



**8. Class-wise Distribution of Equity Shares as on 31st March, 2008:**

Shares of Nominal Value (in Rs.)		Number of Shareholders	Percentage Shareholders	Share Amount (in Rs.)	Percentage to Equity
1	5000	9132	90.43	11635070	4.72
5001	10000	482	4.77	4058610	1.64
10001	20,000	218	2.17	3339820	1.35
20,001	30,000	63	0.62	1659440	0.67
30,001	40,000	36	0.36	1280520	0.52
40,001	50,000	39	0.39	1864020	0.76
50,001	100,000	58	0.57	4156510	1.68
1,00,001	Above	70	0.69	218771440	88.66
<b>TOTALS</b>		<b>10098</b>	<b>100.00</b>	<b>246765430</b>	<b>100.00</b>

**9. Registrar and Share Transfer Agents :**

LINK INTIME INDIA PRIVATE LIMITED  
C-13, Pannalal Silk Mills Compound  
LBS Marg, Bhandup (West)  
Mumbai- 400078.  
Contact Nos. : (022) 2596 3838 Fax : (022) 2594 6969.  
E-mail : [rnt.helpdesk@intimespectrum.com](mailto:rnt.helpdesk@intimespectrum.com)

**10. Share Transfer System :**

Transfer in physical form are registered by the Registrar and Share Transfer Agents, M/s. Link Intime India Private Limited within 21 days of receipt of documents complete in all respects.

Invalid share transfers are returned within 15 days of receipt. The Share Transfer Committee meets on fortnightly basis (depending upon share transfers received)

**11. Outstanding GDRs/ADRs/Warrents or any convertible instruments, etc.**

As of date, the Company has not issued these types of Securities.

**12. Corporate Identification Number (CIN)**

The Company's CIN, allotted by the Ministry of Corporate Affairs, GOI, is U24249MH1984PLC032170. The Company is registered at Mumbai in the State of Maharashtra, India.

**13. Dematerialization of Shares and liquidity:**

The shares of the Company are compulsorily traded in dematerialized form. 2,42,80,887 Equity Shares representing 98.40% of the total Equity Capital of the Company are held in dematerialized form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as on 31st March, 2009.

**14. Chemical Plant Locations**

: Birlagram, Nagda  
M.P.: 456331.  
Ph : 07366-245104, 245447  
Fax: 07366-246283.  
E-mail: gcilngd@vsnl.com  
  
7201, 7211-12, GIDC Industrial Estate,  
Ankleshwar, Distt: Bharuch (Gujarat)  
Ph: 02646 - 227175, 223280  
Fax: 02646 -224908  
E-mail: gcilank@satyam.net.in

Power Plant Location

: Location No. K433 & K435  
Village: Chakale  
Dist: Nandurbar  
Maharashtra.  
  
Location No. G43  
Village: Ghatnandre  
Dist: Sangli  
Maharashtra.  
  
Location No. 9, 33 & 34  
Village: Jamgodrani  
Dist: Dewas  
Madhya Pradesh.

**15. Address for Investors Correspondence :**

**Registrar & Share Transfer Agent**

Link Intime India Private Limited  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West)  
Mumbai- 400078  
Ph: 022 – 5555 5454  
Fax: 022 – 5555 5353  
E-mail: rnt.helpdesk@intimespectrum.com

**Company**

Mr. Sanjeev Pathak  
Company Secretary  
Gwalior Chemical Industries Ltd.  
209/210, 2nd Floor,  
Arcadia Building, 195,  
Nariman Point,  
Mumbai – 400 021.  
Phone : 022-66388500  
Fax : 022-66388620  
Email : sanjeev@gwaliorchemicals.com  
investor.relations@gwaliorchemicals.com



**Certificate by the Chief Executive Officer and  
Chief Financial Officer pursuant to Clause 49 of the Listing Agreement.**

To  
The Members  
Gwalior Chemical Industries Limited

We, V.P. Biyani, the Chief Executive Officer (CEO) and Gaurav Shyamsukha, the Chief Financial Officer (CFO) of Gwalior Chemical Industries Limited, hereby certify that-

- (1) We have reviewed the financial statements and the cash flow statement for the year ended 31<sup>st</sup> March, 2009 and that to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (2) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (3) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (4) We have indicated to the Auditors and the Audit committee:
  - (i) significant changes in internal control, over financial reporting during the year;
  - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

**For Gwalior Chemical Industries Limited**

Place: Mumbai

Date: 8<sup>th</sup> June, 2009

**V.P. Biyani**

Chief Executive Officer

**Gaurav Shyamsukha**

Chief Financial Officer

**Declaration under Clause 49 of the Listing  
Agreement regarding compliance with Code of Conduct.**

To  
The Members  
Gwalior Chemical Industries Limited

In accordance with Clause 49 ID of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance with the Code of Conduct, as applicable to them, for the Financial Year ended on 31<sup>st</sup> March, 2009.

For Gwalior Chemical Industries Limited

**K. N. Luhariwala**  
Executive Director

Place: Mumbai  
Date: 8<sup>th</sup> June, 2009

**V. P. Biyani**  
Executive Director



**AUDITORS REPORT ON CORPORATE GOVERNANCE TO THE MEMBERS OF GWALIOR CHEMICAL INDUSTRIES LIMITED**

We have examined the compliance of conditions of Corporate Governance by GWALIOR CHEMICAL INDUSTRIES LIMITED, for the year ended 31ST March, 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company, for ensuring compliance with 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 Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Chartered Accountants of India, we have to state that based on the report given by the Registrar and Share Transfer Agent of the Company to the Shareholders / Investors Grievances Committee, as at 31st March, 2009, there were no investor grievance matters against the Company remaining unattended / pending for more than 30 days.

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 SARDA & PAREEK  
*Chartered Accountants*

**Sitaram Pareek**  
Partner  
Membership No. 16617

Place : Mumbai  
Date : 8<sup>th</sup> June, 2009



**AUDITORS REPORT TO THE MEMBERS OF GWALIOR CHEMICAL INDUSTRIES LIMITED**

1. We have audited the attached Balance Sheet of Gwalior Chemical Industries Limited ("The Company") as at 31st March 2009, and Profit & Loss Account and also the Cash Flow statement for the year ended on that date annexed thereto, (hereinafter collectively referred as "financial statements"). 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 have 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 misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003 (as Amended) issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (The 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of audit, we set out 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 above, we report that:

Attention is invited to Notes to Accounts no. 23 in schedule 24 regarding definitive agreement entered by the Company for sale of its Chemical & Windmill Business.

Subject to above,

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 such books;
- c) The Financial Statements dealt with by this report, are in agreement with the books of account;
- d) In our opinion, and to the bests of our information and according to the explanation given to us the financial statement dealt with this Report, comply with the applicable accounting standards referred to in Section 211 (3C) of the Act;
- e) On the basis of written representations received from the directors and taken on records by the Board of Directors, we report that none of the Directors of the Company is disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) to Section 274 of the Act;



## GWALIOR CHEMICAL INDUSTRIES LIMITED

- f) In our opinion, and to the best of our information and according to the explanations given to us, the said Financial Statement read together with the notes thereon, give the information required by the Act, 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 Balance Sheet, of the state of affairs of the Company as at 31st March, 2009 ;
  - ii. in the case of Profit & Loss Account, of the profit of the Company for the year ended on that date; and
  - iii. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For SARDA & PAREEK  
*Chartered Accountants*

**CA Sitaram Pareek**  
Partner  
Membership No. 16617

Place: Mumbai  
Date: 8<sup>th</sup> June, 2009

**ANNEXURE TO THE AUDITORS' REPORT**

Annexure referred to in Para 3 of our Report of even date on the financial statements for the year ended 31st March 2009 of Gwalior Chemical Industries Limited.

Based on the audit procedures performed for the purpose of reporting a true and fair view of the financial statements of the Company and taking into consideration the information and explanations given to us and the books and other records examined by us in the normal course of our audit. Further, in our opinion and to the best of our knowledge we report that –

- I. (a) The Company has maintained unit wise proper record showing full particulars including quantitative details and however, locations of the fixed assets have not been marked in the records. In respect of furniture and fixtures, office equipment and data processing equipments, the quantitative details are not recorded and record in terms of values are only kept.
- (b) Some of the fixed assets were physically verified during the year by the management in accordance with a program of verification, which in our opinion does not provides for physical verification of all the fixed assets at reasonable intervals. According to information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) The assets disposed off during the year are not substantial and therefore do not affect the going concern assumption. However the Company has entered into a definitive agreement for sale of its Chemical and Windmill business on a cash and debt free basis on 8th June 2009.
- II. (a) The inventories have been physically verified by management during the year at reasonable intervals, except materials lying with third parties, where no confirmations are obtained.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) The Company has maintained proper records of inventory. The discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt in books of account.
- III. (a) The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under section 301 of the Act; and hence clause (b) ,(c) and (d) are not applicable.
- (b) The Company has not taken any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under section 301 of the Act; and hence clause (b) ,(c) and (d) are not applicable.
- IV. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, with regard to for the purchase of inventories and fixed assets and with regards to the sale of goods and services. In our opinion and according to the information and explanation given to us, there is no continuing failure to correct major weakness in the internal controls.
- V. (a) In respect of transactions 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, particulars of contracts or arrangements that needed to be entered into the register have been so entered.
- (b) The transactions in pursuance of such contracts or arrangements have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time;



## GWALIOR CHEMICAL INDUSTRIES LIMITED

- VI. The Company has not accepted any deposit from public. Accordingly the provisions of the Clause 4(vi) of the order are not applicable.
- VII. In our opinion, the company has an internal audit system commensurate with the size of the Company and nature of its business.
- VIII. According to the explanations given to us and to the best of our knowledge the Company has not been prescribed by the Central Government under section 209(1) (d) of the Companies Act, 1956 to maintain cost records.
- IX. (a) According to the information and explanations given to us on the basis of examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues with appropriate authorities. According to the information and explanation given to us, the Company did not have any undisputed amounts payable in this respect at 31st March 2009 for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, dues of Sales Tax, Entry Tax and excise duty have not been deposited by the Company with the appropriate authorities on account of disputes as follows.

Name of the Statute	Nature of Dues	Amount (Rs. In lacs)	Year to which the amount relates:	Forum where dispute is pending
State and Central Sales Tax Acts	Tax and Interest	5.79	2001-02	Appellant Tribunal – Bhopal (2nd Appeal)
	Penalty for non Submission of forms and other disallowances	15.07	2001-02	Appellant Tribunal – Bhopal
		9.15	2003-04	
State Entry Tax Act	Tax, Interest and Penalty for non submission of forms and other disallowances (Deposits under dispute 0.83 Lacs)	1.62	1995-96	Appellant Tribunal – Bhopal
		0.32	1998-99	
		0.52	2000-01	
Central Excise & Salt Act	Cenvat Credit disallowed by the department	7.11	2007-08	Commissioner of Central Excise, Indore

- X. The Company does not have any accumulated losses and has not incurred cash losses during the current year and in the immediately preceding financial year.
- XI. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
- 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. The Company is not a Chit/Nidhi/Mutual benefit fund/Society and Clause XIII of the Order is not applicable.
- XIV. The Company is not dealing or trading in shares, securities, debentures and other investments.
- XV. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- XVI. In our opinion and according to the information and explanations given to us and on an overall examination, the term loans of Rs 3333.98 Lacs have not been applied for the purpose for which they were raised.
- XVII. On the basis of our examination of the Cash Flow statement and other records, the funds raised on short-term basis have not been used for long-term investment.
- XVIII. During the period under review the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained in pursuance of section 301 of the Companies Act, 1956.
- XIX. The Company has not issued any secured debentures during the period under review. Accordingly the provisions of the Clause 4(xix) of the order are not applicable.
- XX. The Company has not raised any money by public issue during the year. Accordingly the provisions of the Clause 4(xx) of the order are not applicable.
- XXI. No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For SARDA & PAREEK  
*Chartered Accountants*

**Sitaram Pareek**  
Partner  
M. No. 16617

Place: Mumbai  
Date: 8<sup>th</sup> June, 2009



# GWALIOR CHEMICAL INDUSTRIES LIMITED

## BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule No.	Year ended 31.03.09 (Rs. in Lacs)	Year ended 31.03.08 (Rs. in Lacs)
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS FUNDS</b>			
A) Share Capital	1	2467.65	2467.65
B) Reserves & Surplus	2	17368.51	14944.80
C) Defered Tax Liabilities (Net)	3	2983.91	2594.10
<b>LOAN FUNDS</b>			
A) Secured Loans	4	8830.62	13056.38
B) Unsecured Loans	5	<u>0.00</u>	<u>72.03</u>
		<b>31650.69</b>	<b>33134.97</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
A) Gross Block	6	23904.57	19764.59
Less: Depreciation		<u>4707.39</u>	<u>3798.58</u>
Net Block		19197.18	15966.01
Add : Capital Work in Progress		<u>4118.60</u>	18308.20
		23315.77	<u>2342.19</u>
	7	263.94	3763.94
<b>INVESTMENTS</b>			
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
A) Inventories	8	1844.08	3089.28
B) Sundry Debtors	9	6953.52	8595.59
C) Cash & Bank Balances	10	379.96	274.28
D) Loans & Advances	11	<u>2437.17</u>	<u>2114.53</u>
		<b>11614.73</b>	<b>14073.68</b>
<b>LESS: CURRENT LIAB. AND PROVISIONS</b>			
A) Liabilities	12	3143.14	2527.85
B) Provisions	13	<u>410.28</u>	<u>495.90</u>
		<b>3553.42</b>	<b>3023.74</b>
Net Current Assets		<u>8061.31</u>	<u>11049.94</u>
Misc. Expenditure	14	9.66	12.88
(To the extent not written off or adjusted)			
<b>Total</b>		<b><u>31650.69</u></b>	<b><u>33134.96</u></b>

Significant Accounting Policies & Notes to the Financial Statement  
The Schedule referred to above from an Intergal Part of the Financial Statement.

AS PER OUR REPORT OF EVEN DATE

For **SARDA & PAREEK**  
*Chartered Accountants*

**Sitaram Pareek**

Partner

M. No.: 16617

Place : Mumbai

Dated : 8th June, 2009

For **Gwalior Chemical Industries Ltd.**

**K. N. Luhariwala**

**V. P. Biyani**

**Sanjeev Pathak**

} Executive Directors

} Company Secretary

Place : Mumbai

Dated : 8th June, 2009

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009**

	Schedule No.	Year ended 31.03.09 (Rs. in lacs)		Year ended 31.03.08 (Rs. in lacs)	
<b>INCOME</b>					
Gross sales & other receipts	15	<b>40169.15</b>	<b>37554.12</b>	32051.92	29487.13
Less :- excise duty		<b>(2615.03)</b>		<b>(2564.80)</b>	
Other income	16		<b>585.57</b>		84.02
			<b>38139.68</b>		<b>29571.14</b>
<b>EXPENDITURES</b>					
Raw material consumed	17		<b>19979.59</b>		15803.62
(Increase)/decrease in stocks	18		<b>247.07</b>		(278.79)
Cost of goods traded			<b>1214.97</b>		3.56
Manufacturing expenses	19		<b>5154.77</b>		4149.47
Payments & provisions For employees	20		<b>1078.07</b>		836.39
Admn. & Other expenses	21		<b>583.07</b>		479.33
Selling & distribution exp.	22		<b>3674.22</b>		3032.78
Interest	23		<b>956.27</b>		918.71
Depreciation	6		<b>1056.37</b>		861.92
Preliminary exp. W/off			<b>3.22</b>		3.22
Loss of retirement/disposal of assets			<b>8.63</b>		25.55
Impairment of assets			<b>0.00</b>		0.94
			<b>33956.25</b>		<b>25836.70</b>
<b>PROFIT BEFORE TAX(PBT)</b>			<b>4183.43</b>		<b>3734.44</b>
Provision for current tax			<b>751.66</b>		757.51
Provision for deferred tax			<b>389.81</b>		464.02
Fringe Benefit Tax			<b>15.09</b>		15.00
<b>NET PROFIT AFTER TAX BEFORE PRIOR PERIOD &amp; EXCEPTIONAL ITEMS</b>			<b>3026.88</b>		<b>2497.92</b>
Loss on sales of fixed assets			<b>(198.86)</b>		0.00
Prior period items			<b>(57.86)</b>		(66.20)
<b>NET PROFIT AFTER TAX &amp; PRIOR PERIOD AND EXCEPTIONAL ITEMS</b>			<b>2770.16</b>		<b>2431.72</b>
Balance brought forward from previous year			<b>2122.18</b>		1536.91
			<b>4892.33</b>		<b>3968.62</b>
<b>APPROPRIATIONS</b>					
Proposed dividends			<b>296.12</b>		296.12
Tax on dividend			<b>50.33</b>		50.33
General reserve			<b>1500.00</b>		1500.00
Balance carried to balance sheet			<b>3045.89</b>		2122.18
			<b>4892.33</b>		<b>3968.62</b>
Basic and Diluted Earning Per Share			<b>11.23</b>		9.85

As per our report of even date

For **SARDA & PAREEK**  
Chartered Accountants

**Sitaram Pareek**  
Partner  
M. No.: 16617  
Place : Mumbai  
Dated : 8th June, 2009

For **Gwalior Chemical Industries Ltd.**

**K. N. Luhariwala**  
**V. P. Biyani**  
**Sanjeev Pathak** } Executive Directors  
Company Secretary

Place : Mumbai  
Dated : 8th June, 2009



# GWALIOR CHEMICAL INDUSTRIES LIMITED

## SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31.03.09

	Year Ended 31.03.09 (Rs. In Lacs)	Year Ended 31.03.08 (Rs. In Lacs)
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
50000000 (50000000) Equity Shares Of Rs. 10/- Each	<u>5000.00</u>	<u>5000.00</u>
<b>Issued, Subscribed &amp; Paid Up.</b>		
24676543 (24676543 ) Equity Shares of Rs 10/- Each Fully Paid Up.	<u>2467.65</u>	<u>2467.65</u>
	<u>2467.65</u>	<u>2467.65</u>

### NOTE OF THE ABOVE

- (i) Issued, Subscribed & Paid up Capital includes 8,00,000 Equity Shares of Rs.10/- each fully paid-up issued to the shares holders of the Gwalior Chemicals Pvt. Ltd in exchange of the 1,00,000 equity shares of Rs.10/- of in pursuance of the scheme of amalgamation approved by Hon. Bombay High Court.
- (ii) 12395000 Equity Shares of Rs. 10/- each allotted as fully paid Bonus Shares by ways of capitalization of share premium and General Reserves.

### SCHEDULE 2 RESERVES & SURPLUS

1 Capital Reserve	202.24	202.24
2. Share Premium	6474.95	6487.94
Less: Share Issue Expenses	0.00	(12.99)
	<u>6677.19</u>	<u>6677.19</u>
3. General Reserve	6145.43	4645.43
Add: Appropriation During The Year	1500.00	1500.00
	<u>7645.43</u>	<u>6145.43</u>
4. Profit & Loss Account	3045.89	2122.18
	<u>17368.51</u>	<u>14944.80</u>

### SCHEDULE 3 DEFERRED TAX BALANCES

Deferred Tax Liability	3037.13	2617.25
Deferred Tax Assets	(53.22)	(23.15)
	<u>2983.91</u>	<u>2594.10</u>

### SCHEDULE 4 SECURED LOANS

1 Cash Credit / Working Capital	(Note - 1 & 2)		
Working capital facilities		<u>3376.73</u>	<u>6251.99</u>
		<u>3376.73</u>	<u>6251.99</u>
2. Term Loans	(Note - 3)		
From Banks			
A Rupee Loans		4504.00	5169.91
B Foreign Currency Loans		129.23	289.87
		<u>4633.23</u>	<u>5459.78</u>
From Financial Institutions	(Note - 3&4)		
Rupee Loans		819.48	1336.02
		<u>819.48</u>	<u>1336.02</u>
3. Vehicle Loan	(Note - 5)	1.18	8.60
		<u>8830.62</u>	<u>13056.38</u>



NOTES :

1. Cash Credit, & export credits from State Bank of India are secured by hypothecation of Stocks and Book Debts pertaining to Company's unit at Nagda and Ankelshwar and further secured by second charge on the fixed assets.
2. Cash Credit, & export credits from Standard Chartered Bank are secured by hypothecation of Stocks and Book Debts pertaining to Company's unit at Nagda and Ankelshwar.
3. Term Loan from Industrial Development Bank of India, State Bank of India (excluding term loan for wind mills), Bank of Baroda and HDFC, are secured by first charge ranking pari-passu on all immovable properties both present and future and first charge by way of hypothecation of all moveable properties including moveable machineries, spares, tools and accessories present and future subject to prior charges created and/or to be created in favour of bankers by way of security for borrowing for working capital. Loan from IDBI and BOB are further secured by personal guarantee of the some of the Directors. [Repayable within one year Rs. 1807.11 Lacs, (Previous Year Rs 992. Lacs)]
4. Term loan from SBI for wind mills is secured by first charge on all immovable properties both present and future and second charge by way of hypothecation of all immovable properties including moveable machineries, spares, tools and accessories present and future subject to prior charges created and/or to be created in favour of bankers by way of security for borrowing for working capital for company's wind power project at village Chakale Dist. Nandurbar, Maharashtra and at Village : Ghatnandare, Dist: Sangali, Maharashtra. (Repayable within one year Rs. 210 Lacs (Previous Year Rs. 221 Lacs)
5. Vehicle loans from ICICI Bank and ICICI Capital are secured by hypothecation of motorcars purchased. [Repayable within one year Rs. 1.18 Lacs, (Previous Year Rs. 5 Lacs)]

	<b>Year Ended 31.03.09 (Rs. In Lacs)</b>	<b>Year Ended 31.03.08 (Rs. In Lacs)</b>
<b>SCHEDULE 5</b>		
<b>UNSECURED LOANS</b>		
A. FROM CORPORATE BODIES	<b>0.00</b>	15.69
B. DEFERRED SALES TAX LIABILITY (UNDER INCENTIVE SCHEME OF STATE GOVT) (Payable within one year Rs Nil (Previous year 56.34 Lacs)	<b>0.00</b>	56.34
	<u><b>0.00</b></u>	<u>72.03</u>



# GWALIOR CHEMICAL INDUSTRIES LIMITED

## STATEMENT OF FIXED ASSETS & DEPRECIATION AS PER COMPANY'S ACT AS ON 31.03.2009

### SCHEDULE 6

(Rs. in Lacs)

Sr. Particulars No.	Gross Block		Depreciation			Net Block				
	As on 1.04.08	Addition Deduction	Total as on 31.3.09	Upto 31.03.08	For the Year	Written back	Total as on 31.03.09	As on 31.03.09	As on 31.03.08	
1 FREE HOLD LAND	409.73	79.44	0.00	489.17	3.32	0.58	0.00	3.90	485.27	406.41
2 ROAD & BUILDING	1150.40	129.67	0.00	1280.08	188.80	32.79	0.00	221.59	1058.48	961.60
3 PLANT & MACHINERY	17444.59	4185.86	383.18	21247.26	3353.56	954.05	132.13	4175.48	17071.78	14091.03
4 FURNITURE & FIXTURE	179.60	23.81	0.04	203.38	65.80	11.90	0.00	77.70	125.68	113.80
5 COMPUTER	76.97	44.29	0.00	121.26	28.18	15.39	0.00	43.57	77.69	48.79
6 VEHICLES	448.29	98.17	38.04	508.42	103.92	41.67	15.44	130.15	378.26	344.37
7 INTANGIBLE ASSETS	55.00	0.00	0.00	55.00	55.00	0.00	0.00	55.00	0.00	0.00
	19764.59	4561.24	421.26	23904.57	3798.58	1056.37	147.56	4707.39	19197.18	15966.01

	Year Ended 31.03.09 (Rs. In Lacs)	Year Ended 31.03.08 (Rs. In Lacs)
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**SCHEDULE 7**

**INVESTMENTS (AT COST)**

(A) Long Term Investment

Unquoted (Fully Paid Up) -

20 Equity Shares of Rs. 50 Each The Thane Janta Sahkari Bank Ltd.	0.01	0.01
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32192 Equity Shares of Rs. 10/- Each Bharuch Equa Infrastructure Ltd.	3.22	3.22
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Investment in 100% Subsidiaries

1. Gwalior Chemicals Bvba Belgium	10.72	10.72
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100 Equity Shares of 186 Euro Each Fully Paid up

2. GCIL Finance Limited	250.00	250.00
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2500000 Shares of Rs 10 Each Fully Paid up

(B) Current Investment -

In units of Mutual Fund (Unquoted) -

Birla Fixed Term Plan-Series T (3,50,00,000 units of Rs. 10/-)	0.00	3500.00
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NAV: Previous year NAV at Rs 3885.98 lacs.

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**263.94**

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**3763.94**

**SCHEDULE 8**

**INVENTORIES :-**

(As taken, valued & certified by the management)

STORES & SPARES	662.37	350.03
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RAW MATERIAL	480.52	1796.01
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PACKING MATERIALS	28.92	23.89
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FINISHED GOODS	535.99	432.50
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WORK-IN-PROCESS	136.28	486.84
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**1844.08**

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**3089.28**



# GWALIOR CHEMICAL INDUSTRIES LIMITED

	Year Ended 31.03.09 (Rs. in Lacs)	Year Ended 31.03.08 (Rs. in Lacs)
<b>SCHEDULE 9</b>		
<b>SUNDRY DEBTORS</b>		
(Considered good except where provided for)		
A) debts outstanding for a period exceeding six months		
Unsecured		
Goods	199.57	159.19
Doubtful	17.35	51.35
B) Other Debts		
Unsecured	6753.95	8436.40
Less : Provision for Doubtful Debts	(17.35)	(51.35)
	<u>6953.52</u>	<u>8595.59</u>
<b>SCHEDULE 10</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash in Hand	2.33	3.22
With Scheduled Banks in		
Current Account	39.99	61.02
Fixed Deposit	336.84	209.11
Unclaimed Dividend Account	0.80	0.93
	<u>379.96</u>	<u>274.28</u>
<b>SCHEDULE 11</b>		
<b>LOANS &amp; ADVANCES</b>		
Advance Recoverable in Cash or kind or for value to be received		
Unsecured - Considered Good	2246.36	1937.41
Unsecured - Considered Doubtful	10.51	0.00
Deposits With Govt.Bodies	105.28	117.42
Deposits With Others	75.02	59.70
	<u>2437.17</u>	<u>2114.53</u>
<b>SCHEDULE 12</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors		
- For Capital Goods	411.33	269.65
- For Supplies	1638.11	1727.75
- For Others	1093.70	530.45
	<u>3143.14</u>	<u>2527.85</u>

	Year Ended 31.03.09 (Rs. In Lacs)	Year Ended 31.03.08 (Rs. In Lacs)
<b>SCHEDULE 13</b>		
<b>PROVISIONS</b>		
- For Proposed Dividend	296.12	296.12
- For Tax On Dividend	50.33	50.33
- For Wealth Tax	1.50	1.00
- For Leave Encashment	59.03	80.53
- Provision For Income Tax (Net)	1.61	(0.78)
- Provision For FBT	1.70	2.50
- Provision For Gratuity	0.00	66.20
	<u>410.28</u>	<u>495.90</u>
<b>SCHEDULE 14</b>		
<b>MISC EXPENDITURES</b>		
(To The Extent Not Written Off)		
Preliminary Expenses	12.88	16.10
Less Written Off During The Year	(3.22)	(3.22)
	<u>9.66</u>	<u>12.88</u>
<b>SCHEDULE 15</b>		
<b>SALES &amp; OTHER RECEIPTS</b>		
Domestic Sales	22616.95	19250.54
Export Sales	16490.75	11870.94
Export Incentives	799.93	722.72
Income From Power Generation	261.52	207.72
	<u>40169.15</u>	<u>32051.92</u>
<b>SCHEDULE 16</b>		
<b>OTHER INCOME</b>		
Interest Income (TDS of Rs. 5.64 Lacs)	31.99	36.54
Misc Income	47.47	36.36
Income on Sale of Investment	394.91	0.00
Dividend Income	0.01	12.39
Exchange Gain Loss	111.20	(1.28)
	<u>585.57</u>	<u>84.02</u>



	Year Ended 31.03.09 (Rs. In Lacs)	Year Ended 31.03.08 (Rs. In Lacs)
<b>SCHEDULE 17</b>		
<b>RAW MATERIALS CONSUMED</b>		
Opening Stock	1796.01	795.52
Add: Purchases	18664.10	16804.11
	<u>20460.11</u>	<u>17599.63</u>
Less: Closing Stock	480.52	1796.01
Net Consumption	<u>19979.59</u>	<u>15803.62</u>
<b>SCHEDULE 18</b>		
<b>INCREASE (DECREASE) IN STOCKS</b>		
Closing Stock		
- Finished Goods	535.99	432.50
- Process Stock	136.28	486.84
	<u>672.27</u>	<u>919.34</u>
Less: Opening Stock		
Finished Goods	432.50	288.52
Processed Goods	486.84	352.03
	<u>919.34</u>	<u>640.55</u>
Increase (Decrease) In Stocks	<u>(247.07)</u>	278.79
<b>Goods Traded Consumed</b>		
Opening Stock	0.00	0.00
Add: Purchase	1214.97	3.56
	<u>1214.97</u>	<u>3.56</u>
Less: Closing Stock	0.00	0.00
Cost of Goods Consumed	<u>1214.97</u>	<u>3.56</u>
<b>SCHEDULE 19</b>		
<b>MANUFACTURING EXPENSES</b>		
1 Wages	227.60	210.42
2. Utilities	2915.80	2038.34
3 Stores, Spares & Maintenance	428.66	600.75
4 Packing Materials Consumed	1411.74	1135.36
5 Insurance	66.36	79.99
6 E.T.P. Expenses	78.08	63.25
7 Processing Charges/Job Charges	2.97	4.76
8 Other Expenses	23.56	16.61
	<u>5154.77</u>	<u>4149.47</u>

## 25th Annual Report 2008-2009

	Year Ended 31.03.09 (Rs. In Lacs)	Year Ended 31.03.08 (Rs. In Lacs)
<b>SCHEDULE 20</b>		
<b>PAYMENTS &amp; PROVISIONS FOR EMPLOYEES</b>		
Salaries & Wages	605.25	481.52
Contribution to Provident Fund & Other Funds	126.58	100.73
Other Payment to Employees	175.45	139.97
Directors Remuneration	170.80	114.18
	<b>1078.07</b>	<b>836.39</b>
<b>SCHEDULE 21</b>		
<b>ADMN. &amp; OTHER EXPENSES</b>		
Administration Expenses	496.26	429.33
Payment to Statutory Auditors		
- Statutory Audit Fee	2.50	2.50
- Tax Audit Fees	0.50	0.50
- Consultation & Certification (In Other Capacity)	1.92	0.25
- Audit Exp.	0.76	0.61
Directors Sitting Fees	1.55	1.37
Legal and Consultation Charges	79.59	44.76
	<b>583.07</b>	<b>479.33</b>
<b>SCHEDULE 22</b>		
<b>SELLING &amp; DISTRIBUTION EXPENSES</b>		
Travelling Expenses		
- For Directors	24.86	56.49
- For Others	116.36	109.29
Freight	1162.39	951.05
Discount & Rebate	145.96	166.25
Commission	217.32	169.33
Export Expenses	1788.83	1336.39
Provision for Doubtful Debts	17.35	51.35
Bad Debts	59.63	8.28
Less : Prov. For Doubtful Debts Provided Earlier Year	(51.35)	
Other Selling Expenses	192.87	142.56
	<b>3674.22</b>	<b>3032.78</b>
<b>SCHEDULE 23</b>		
<b>INTEREST &amp; FINANCIAL CHARGES</b>		
- Interest to Banks & Financial Institutions	941.61	913.81
- Other Financial Charges	14.66	4.90
	<b>956.27</b>	<b>918.71</b>



**SCHEDULE 24**

**ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

**A. SIGNIFICANT ACCOUNTING POLICIES:**

**1. ACCOUNTING CONVENTION**

- a) The Financial Statements are prepared under the historical cost convention on the basis of going concern and in accordance with the Generally Accepted Accounting Principles in India (GAAP) and provisions of the Companies Act, 1956.
- b) The preparation of financial statements are in conformity with generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and the differences between actual results and estimates are recognized in the periods in which the results are known/ materialize.

**2. REVENUE RECOGNITION**

- a) Revenue is recognized when it is earned and no significant uncertainty exists as to its realization or collection.
- b) Sales are recognized when goods are invoiced on dispatch to customers. Sales include Excise duty but exclude Sales Tax.
- c) Export incentive/benefits are accounted on accrual basis. Customs duty benefits in the form of Advance License entitlements on the export of goods are recognized and added to the cost of import.

**3. MISCELLANEOUS EXPENDITURE**

- a) Share issue expenses are charged off from share premium received.
- b) Expenses related to increase in authorized Share Capital is amortized over a period of five years.

**4. INVENTORIES VALUATION (AS – 2)**

- a) Raw material, packing material, store & consumables are valued at the lower of cost and net realizable value except waste/scrap, which is valued at net realisable value. The cost is computed on FIFO basis.
- b) Finished Goods and process stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

**5. CASH FLOW STATEMENT (AS – 3)**

Cash Flow Statement is prepared under “Indirect Method”.

**6. CHANGE IN ACCOUNTING POLICIES (AS – 5)**

The company has amortized share issue expenses over a period of five years from Financial year 2006-07 . As permitted by Section 78(2) of Companies Act the share issue expenses of Rs 524.40 Lacs (F.Y. 06-07) & Rs.12.99 Lacs (F.Y. 07-08) have been charged off to Share premium account. Due to this, the profit for the year has been overstated by Rs 108.13 Lacs (Previous Year 108.13 Lacs)



7. DEPRECIATION (AS – 6)

- a) Depreciation has been charged on Straight Line Method corresponding to the rates prescribed under Schedule XIV to the Companies Act, 1956.
- b) Depreciation on additions/deletions is being provided on pro-rata basis from the date of such additions/deletions.
- c) Intangible assets are amortized over a period of seven years.

8. FIXED ASSETS (AS – 10)

- a) Fixed Assets are stated at their original cost of acquisition / installation and included preoperational expenses including borrowing cost. Fixed assets are shown net of accumulated depreciation.
- b) Capital Work-in-progress is stated at the amount spent up to the date of the Balance Sheet, however pending completion of the project, assets shown in Assets schedule and no depreciation is provided on the same.
- c) Leasehold land is shown at cost, including lease premium paid.

9. TRANSACTION OF FOREIGN CURRENCY ITEMS (AS – 11)

- a) Transactions of foreign currencies are recorded at the exchange rates prevailing on the date on which transaction took place. Gains and Losses arising out of fluctuation in the exchange rates are accounted for on realization.
- b) Current assets and liabilities denominated in foreign currency as at the balance sheet date are converted at the exchange rate prevailing on balance sheet date. Exchange differences are recognized as income or expense in the profit and loss account.
- c) In respect of transactions covered by forward foreign exchange contract, the difference between the forward rate and exchange rate at the inception of the contract is recognized as income or expense over the life of contract except for contracts relating to liabilities incurred for purchase of fixed assets, the difference thereof is adjusted in the carrying amount of respective fixed assets. The use of forward contracts and swaps is governed by company's overall strategy. The company does not have forward contracts and swaps for speculative purposes.

10 INVESTMENTS (AS – 13)

Long-term investments including investment in the shares of foreign subsidiary are stated at cost. Provision for diminution in value of long-term investments if any is made, if such diminution is other than of temporary nature.

Current Investment are carried at lower of cost or market value

11. EMPLOYEE BENEFITS (AS – 15 Revised)

The company is using the Unit Credit Method and other assumption as per market, hence no change has been adjusted to the opening balance of reserves and surplus.

- a) The liability for superannuation benefits, on the basis of amount contributed to LIC's Group Gratuity Policy and the difference between the amount payable on retirement and recovered from LIC, is charged to profit & loss account.



- b) Employee's Contribution to Provident Fund, Family Pension Fund is debited to Profit & Loss account.
- c) Leave encashment benefits & gratuity available on retirement are provided on the basis of actuarial valuation.

**12. BORROWING COST (AS – 16)**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as a part of such assets till such time as the assets are ready for their intended use. Qualifying assets are assets that necessarily require a substantial period of time to get ready for their intended use. All the other borrowing cost is recognized as an expense in the period in which they are incurred.

**13. LEASES ( AS – 19)**

Leasehold land is being amortized over the period of lease.

**14. TAXES ON INCOME (AS - 22)**

Current tax is determined as the amount of tax payable in respect of taxable income for the period, using applicable tax rates and Laws.

Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets on timing differences, being the difference between taxable income and accounting income that originates in one period and capable of reversal in one or more subsequent periods.

**15. DISCONTINUING OPERATIONS (AS – 24)**

The Company has not discontinued any operations during the year.

**16. IMPAIRMENT OF ASSETS (AS – 28)**

Impairment of assets has been recognized and losses if any has been charged to profit & Loss account.

As of each balance sheet date, the carrying amount of assets is tested for impairment so as to determine –

- (a) the provision for impairment loss, if any, required, or
- (b) the reversal, if any, required or impairment has recognized in previous periods.

**17. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (AS-29)**

- a) The provisions are recognised and measured by using a substantial degree of estimation.
- b) Contingent liabilities and contingent assets are disclosed after a careful evaluation of the facts and legal aspects of the matter involved in issue.

**B. NOTES FORMING PART OF THE ACCOUNTS:**

- 1) The figures of the previous accounting period are re-grouped, re-classified wherever necessary and are not comparable with the figures of the current accounting year. The figures are rounded to nearest rupees in lacs.

2) (a) Contingent liabilities not provided for (AS - 29)

(Rs. in Lacs)

		<b>As on 31.03.2009</b>	As on 31.03.2008
		<b>Amount</b>	Amount
a)	Bank Guarantees & LC	<b>1866.34</b>	1156.13
b)	Sales Tax Liabilities		
	i) Disputed	<b>30.01</b>	45.32
	ii) On account of C Forms (2007-08)	<b>20.94</b>	42.21
	iii) Current year C Forms	<b>364.67</b>	20.94
	iv) Appeal filed by MPUVN in High Court against single Bench H C Order.	<b>122.00</b>	122.00
c)	Excise Duty Liabilities (Disputed)	<b>7.11</b>	0.00
d)	Entry Tax (Disputed)(Deposited Rs. 0.83 Lacs)	<b>2.46</b>	2.97
e)	Export Obligation on A/c of Import of Machinery	<b>817.60</b>	693.33
f)	Unexecuted Contracts (Net of advance)	<b>2447.38</b>	1064.07
g)	Custom duty on import of Raw Material	<b>0.00</b>	57.31
h)	Bond submitted to customs for import of Toluene	<b>1132.57</b>	0
i)	Bond submitted to Central Excise deptt.	<b>447.10</b>	0

- 3) The Company has given non-disposal undertaking in favour of the Industrial Development Bank of India (IDBI) for the equity shares held by the promoters of the Company.
- 4) In the opinion of the Board of Directors of the Company the sundry debtors, Loans and Advances, sundry creditors are subject to third party confirmation, have a value on realization / payment in the ordinary course of business, at least equal to the amounts at which they are stated and the provisions for all known liabilities are adequately made and are not in excess of the amount reasonably necessary.
- 5) Sundry debtors include due from wholly owned subsidiary company Rs 201.99 Lacs (Previous year Rs 173.41 Lacs) and maximum debit balance during the period were Rs. 583.37 Lacs (previous year Rs. 799.75 Lacs as on 31.03.08)
- 6) Deposit includes Rs 282.14 Lacs (Previous Year Rs.208.46 Lacs) under Bank's lien for guarantees & Margin Money.
- 7) The disclosures required under accounting standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) rules 2006, are given below:

Defined Contribution Plan



Contribution to Defined Contribution Plan, recognized are charged off for the year are as under:

Rs. in Lacs

	<b>As on 31.03.09</b>	As on 31.03.08
Employer's Contribution To Provident Fund	<b>51.94</b>	38.30
Employer's Contribution To Superannuation Fund	<b>5.64</b>	5.20
Employer's Contribution To Pension Scheme	<b>22.49</b>	19.77
Employer's Contribution To Employee State Insurance	<b>13.85</b>	14.38

**Defined benefit plan**

The employee's gratuity fund scheme managed by Life Insurance Corporation of India is a defined plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

<b>a.</b>	<b>Reconciliation of opening and closing balances of defined benefit obligation</b>	<b>Gratuity (Funded)</b>		<b>Leave Encashment</b>	
		31-03-2009	31-03-2008	31-03-2009	31-03-2008
	Defined benefit obligation at beginning of the year	141.85	128.91	86.03	66.97
	Current Service Cost	8.68	9.17	11.36	9.63
	Interest Cost	9.70	-	2.02	5.36
	Actuarial (gain)/loss	6.07	13.93	11.03	1.77
	Benefits paid	3.89	10.16	51.41	3.23
	Defined Benefit obligation at year end	162.41	141.85	59.03	80.50
<b>b.</b>	<b>Reconciliation of opening and closing balances of fair value of plan assets</b>				
	Fair value of plan assets at the beginning of the year	75.65	66.39	Nil	Nil
	Expected return on plan assets	10.13	5.80	Nil	Nil
	Actuarial (gain)/loss	-	-	Nil	Nil
	Employer contribution	81.60	13.62	Nil	Nil
	Benefits paid	3.89	10.16	Nil	Nil
	Fair value of plan assets at year end	163.50	75.65	Nil	Nil
	Actual return on plan assets	NIL	5.80	Nil	Nil

<b>c.</b>	<b>Reconciliation of fair value of assets and obligation</b>				
	Fair value of plan assets as at 31st march, 2009	163.50	75.65	Nil	Nil
	Fair value of obligation as at 31st march, 2009	162.41	141.85	59.03	80.50
	Unfunded net liability recognized in balance sheet	Nil	66.20	59.03	80.50
<b>d.</b>	<b>Expenses recognized during the year</b>				
	Current service cost	8.68	9.17	11.36	9.63
	Interest cost	9.70	-	2.02	5.36
	Expected return on plan assets	10.13	5.80	Nil	Nil
	Actuarial (gain)/loss	26.69	13.93	11.03	1.77
	Net Cost	34.93	17.30	24.41	16.76
<b>e.</b>	<b>Investment details</b>	<b>% invested as at 31st March 2009</b>	<b>% invested as at 31st March 2008</b>	<b>As at 31st March 2009</b>	<b>As at 31st March 2008</b>
	L.I.C. Group Gratuity (Cash Assumption) Policy	100%	100%	Nil	Nil
<b>f.</b>	<b>Actuarial assumptions</b>				
	Mortality Table (L.I.C.)	31-03- 2009	31-03- 2008	31-03- 2009	31-03- 2008
		1994-96 (Ultimate)	1994-96 (Ultimate)		
	Discount rate (per annum)	8.00%	8.00%	7.00%	8.00%
	Expected rate of return of plan assets (per annum)	9.15%	9.15%	Nil	Nil
	Rate of escalation in salary (per annum)	6.00%	5.00%	5.00%	5.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

8) SALES

- a) Sales figures are shown excluding Sales Tax and VAT of Rs. 685.65 Lacs (Previous year Rs.723.81 Lacs),
- b) Inter Unit transfers of finished Goods have been ignored.
- c) Sales includes trading sale of Rs. 996.67 Lacs (PY Nil)



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9) Early payment incentive of Rs.73.86 (P Y 62.38) from Reliance Industries Limited has been reduced from cost of Raw material.

10) **Managerial Remuneration:**

(Amt. in Rs. in Lacs)

	<b>Current Year</b>	<b>Previous Year</b>
<b>- Directors Remuneration</b>		
- Salary	82.50	55.83
- Commission	41.42	36.97
- Contribution to PF	6.89	4.65
- Contribution to Superannuation Fund	1.41	1.25
- Other Perquisites	39.99	16.72
- Director sitting fees	1.55	1.37
	<u>173.76</u>	<u>116.79</u>

11) **Computation of net profit as per section 309(5) of the Companies Act, 1956**

	(Amt. In Rs. in Lacs)
Net Profit Before Tax as per Profit & Loss Account	4183.43
Add:	
Whole-time Directors remuneration excluding commission	129.38
Executive Directors Commission	41.42
Directors Sitting Fees	1.55
Loss on sale of Fixed Assets	207.49
Net Profit as per section 198 of the Companies Act, 1956	4563.27
Maximum permissible managerial remuneration to Whole-time Directors u/s 198 of the Companies Act, 1956 @10% of the Profit computed above	456.33

12) **Auditors Remuneration:**

(Amt in Rs. in Lacs)

	<b>Current Year</b>	<b>Previous Year</b>
- Statutory Audit Fees	2.50	2.50
- Tax Audit Fees	0.50	0.50
- Consultation and certification	1.92	0.95
- Expenses reimbursed	0.76	0.61

- 13) Sales Tax Assessments have been completed up to the Accounting year ended as on 31.03.2004 except for the accounting year 1996-97,1997-98 and 1998-99,which are pending due to matter in High Court for Wind Mill exemption.
- 14) Income Tax Assessments have been completed up to assessment year 2006-2007 pertaining to previous accounting year ended on 31.03.2006 and the Company doesn't foresee any additional Income Tax liability for pending Assessments.
- 15) Excise Duty on inventories of Rs.82.04 Lacs (Previous Year 71.62 Lacs) has not been provided in the accounts and included in the valuations. This accounting treatment has no impact on the profit of the Company.
- 16) a) The company has discarded and sold SBS plant having WDV of Rs.338.89 Lacs . Loss on Sale of above plant of Rs. 197.50 Lacs (Previous year 0.94 Lacs) has been shown below the line as Extraordinary Items.  
 b) Inter Unit Transfer of Gross Block of Plant and Machinery Rs. 44.29 Lacs (WDV of Rs. 29.90 lacs) shown at Lower the WDV or Market Value in Capital Stores and spares
- 17) Inter unit transfer of goods is independent of marketable products of separate units for captive consumption is included in respective heads of accounts to reflect the working of the respective units. Any unrealized profit on unsold stock is eliminated while making the valuation of the inventories. This accounting treatment has no impact on the profit of the Company.
- 18) Small Scale Industries:
  - (a) There were no dues outstanding of Small scale Industries as on March 31, 2009.
  - (b) There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days at the Balance Sheet date.
  - (c) The above information given in paragraphs 17(a) and 17(b) above regarding Small Scale Industrial Undertakings and Micro, Small and Medium Enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.
19. **Segmental Reporting as per AS – 17**

The Company has identified Chlorotoluene derivatives (chemicals) as its sole primary business segment taking into account the nature of products and services, risks and returns, the organization structure and the internal reporting system.

(Rs. in Lacs)

19. Earning per share	As at 31.03.2009	As at 31.03.2008
Net Profit / (Loss) After Tax available for Equity Share Holders	2770.16	2431.72
Number of Equity Shares of Rs.10/- each		
Outstanding during the year [Number of Shares]	246.77	246.77
Basic / Diluted Earning Per Share face value of Rs 10 (Rs.)	11.23	9.85

**20. Deferred Tax Assets/ (Liabilities)**

In accordance with Accounting Standard 22 "Accounting for Taxes on Income" issued by the ICAI the Company has accounted for Deferred Taxes during the year. Following are the components of Deferred Tax Assets/(Liabilities):t

(Rs. in Lacs)

	<b>As at 31.03.2009</b>	As at 31.03.2008
Deferred Tax Liability	<b>3037.13</b>	2617.25
Less: Deferred Tax Asset	<b>53.22</b>	23.15
Net Deferred Tax Liability (Net)	<b>2983.91</b>	2594.10

**21. Related Party Transactions**

As required by Accounting Standard AS-18 "Related Parties Disclosure" issued by The Institute of Chartered Accountants of India, the following are treated as Related Parties with whom transactions have taken place during the year ended 31st March 2009

- (a) Associate Companies
  - Elrose Mercantile Pvt Ltd.
  - Four Dimension Securities (I) Ltd.
  - Aroni Chemical Industries Ltd
- (b) 100% Subsidiary Company
  - Gwalior Chemical BVBA.
  - Gwalior Chemicals LLC .
  - GCIL Finance Ltd.
- (c) Relative of Directors or concern where relative of directors has substantially interested
  - Atul Transport (India)
  - Krasoma Corporation
  - Gaurav Shyamsukha
- (d) Key Managerial Personnel
  - Shri Ashwin Kumar Kothari
  - Shri Harisingh Shyamsukha
  - Shri K.N. Luhariwala
  - Shri V.P. Biyani



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The following transactions were carried out in the ordinary course of business:

Transacting Related Party	Relationship Between the Parties	Nature of Transaction	Volume of Transaction (Rs in Lacs)	Closing Balance As on 31.03.09 (Rs in Lacs.)
1. M/s. Atul Transport (India)	Concern where relative of directors has substantially interested	Transportation Charges	492.36 (PY 512.12)	25.24 (CR) (PY 25.15 CR)
2. Krasoma Corporation	Concern where relative of directors has substantially interested	Sales commission	3.00 (PY 3.16)	0.02 (DR) (PY 1.15CR)
3. M/s. Aroni Chemical Ind. Ltd.	Associate Company	Service charges	0.02 (PY 1.03)	0.85 CR (0.88 CR)
4. Shri Gaurav Shyamsukha	Relative of Director & Key Managerial Person	Remuneration	22.71 (PY 12.33)	5.84 (PY 0.68)
5. Four Dimension Securities (I) Ltd.	Associate Company	Service Charges	20.70 (PY 8.76)	7.09 (DR) (PY 4.00 CR)
6. Elrose Mercantile Pvt. Ltd.	Associate Company	Service Charges	2.40 (PY 2.40)	1.34 DR (PY 2.30 DR)
7. Gwalior Chemical Bvba	100% subsidiary	Sales	2090.50 (PY 2370.72)	201.99 (DR) (PY 173.41 DR)
8. GCIL Finance Ltd.	100% subsidiary	–	3.13 (PY 2.87)	0.019 (DR) (PY 2.87 DR)
9. Gwalior Chemical LLC	100% subsidiary	–	0.46 (PY NIL)	0.46 (DR) (PY NIL)
10. Shri Ashwin Kumar Kothari	Key Managerial Personnel	Remuneration (including perquisites & commission)	59.52 (PY 39.19)	20.71 (PY 18.48 )
11. Shri Harisingh Shyamsukha	Key Managerial Personnel	Remuneration (including perquisites & commission)	59.52 (PY 39.19)	20.71 (PY 18.48)
12. Shri K.N. Luhariwala	Key Managerial Personnel	Remuneration (including perquisites)	17.52 (PY 17.48)	NIL (PY NIL )
13. Shri V.P. Biyani	Key Managerial Personnel	Remuneration (including perquisites)	26.39 (PY 14.94)	NIL (PY NIL )



## GWALIOR CHEMICAL INDUSTRIES LIMITED

22. Additional information required under the Para 3 under Clause (i)(a), (ii)(a), (b), Para 4, Para 4 and Para 4D of Part II of Schedule VI of the Companies Act, 1956 is detailed as under:

### A) DETAILS OF LICENCED AND INSTALLED CAPACITIES

	<b>INSTALLED CAPACITY QTY (in M.T.)</b> (Licensed Capacity based on three shifts)	
	<b>31.03.2009</b>	<b>31.03.2008</b>
	Qty. (in M.T.)	Qty. (in M.T.)
1. Chloro Toluene & Derivatives (Incl. for Captive use)	84100	76600
2. Sulphur Oxy Chloride	40400	38400
3 Sulphur Chloride	600	600
4 Others	118100	106100
5 Wind Electric Generation (in M.W.)	4.425	4.425

	<b>ACTUAL PRODUCTION</b>	
	<b>31.03.2009</b>	<b>31.03.2008</b>
	Qty. (in M.T.)	Qty. (in M.T.)
1. Chloro Toluene & Derivatives	76095	65384
Less: Captive	41325	34680
	<u>34770</u>	<u>30704</u>
2 Sulphur Oxy Chloride	33420	29974
Less: Captive	0	11
	<u>33420</u>	<u>29963</u>
3 Sulphur Chloride	283	435
Less: Captive	0	3
	<u>283</u>	<u>432</u>
4 Others	88614	79823
Less: Captive	0	0
	88614	79823

	<b>31.03.2009</b>		<b>31.03.2008</b>	
	QTY.	AMT	QTY.	AMT
	(in MT)	(Rs.in Lacs)	(in MT)	(Rs.in Lacs)
1 Chloro Toluene & Derivatives	371	236.66	458	198.60
2 Sulphur Oxy Chloride	116	19.90	200	29.25
3 Sulphur Chloride	0	0.00	0	0.00
4 Others	442	31.96	519	20.14
<b>Total</b>	<b>929</b>	<b>288.52</b>	<b>1177</b>	<b>247.99</b>

CLOSING STOCK	31.03.2009		31.03.2008	
	QTY. (in MT)	AMT (Rs.in Lacs)	QTY. (in MT)	AMT (Rs.in Lacs)
1 Chloro Toluene & Derivatives	874	363	371	236.66
2 Sulphur Oxy Chloride	348	32	116	19.90
3 Sulphur Chloride	11	2	0	0.00
4 Others	1115	134	442	31.96
<b>Total</b>	<b>2347</b>	<b>531</b>	<b>929</b>	<b>288.52</b>

TURNOVER	31.03.2009		31.03.2008	
	QTY. (in MT)	AMT (Rs.in Lacs)	QTY. (in MT)	AMT (Rs.in Lacs)
1 Chloro Toluene & Derivatives	34435	28184.52	30380	23540.68
2 Sulphur Oxy Chloride	33288	7293.79	29890	5547.73
3 Sulphur Chloride	314	151.71	391	160.12
4 Others	88133	4652.86	81405	2810.6
<b>Total</b>	<b>156170</b>	<b>40282.88</b>	<b>142066</b>	<b>32059.13</b>

**B) RAW MATERIAL CONSUMED**

	31.03.2009		31.03.2008	
	QTY. (in MT)	AMT (Rs.in Lacs)	QTY. (in MT)	AMT (Rs.in Lacs)
1 Toluene	30167	14206.68	18024	7252.14
2 Chlorine	52606	1522.68	31016	1090.31
3 Acetic Anhydride	767	470.03	432	230.05
4 Others		3755.03		1404.24
<b>Total</b>		<b>19954.43</b>		<b>9976.74</b>

The consumption figure are ascertained on the basis of Opening stock plus Purchase less Closing Stock and are therefore after adjustment of excess and shortage ascertained on physical count, unserviceable items etc.

**C) VALUE OF IMPORTS ON C.I.F. BASIS**

	31.03.2009	31.03.2008
	AMT (Rs.in Lacs)	AMT (Rs.in Lacs)
Raw Material	5154.93	4682.08
Packing Materials	NIL	NIL



**D) I) Expenses incurred in Foreign Currency**

- On account of Traveling	39.95	65.12
- On account of Export Expenses	75.05	63.96
- On account of Sales Commission	28.97	68.96
- On account of purchase of capital goods	34.75	358.56

**II) Earning in Foreign Currency**

- F.O.B. Value	13841.30	8776.34
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**III) Value of Raw material consumed**

	%		%	
1. Imported	35%	7047.85	12%	1204.99
2. Indigenous	65%	12931.74	88%	8778.48

23. Subject to shareholder's approval and necessary merger control clearances from relevant authorities in various countries, the Company has entered into a definitive agreement for sale of its chemicals and windmill business to LANXESS India Private Limited on June 8, 2009 for an aggregate value of Rs. 536 crores rupee equivalent Euro 82.4 million ( 1 Euro=Rs 65) on a cash and debt free basis..
24. The previous year's figures have been regrouped and reclassified, wherever necessary.

**For Gwalior Chemical Industries Ltd.**

**K. N. Luhariwala  
V. P. Biyani**

} Executive Directors

Place : Mumbai  
Dated : 8th June, 2009

25. Information Pursuant to the Provisions of Part IV of Schedule of the Companies Act 1956.  
Balance Sheet Abstract & Company's General Business Profile

**I. Registration Details**

State Code No.	11
Registration No.	32170 of 1984
Balance Sheet date	31.03.09

**II. Capital Raised during the year**

Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

**III. Position of Mobilization and Deployment of Funds (Rs. in Lacs)**

Total Liabilities	31650.69
Total Assets	31650.69
<b>SOURCE OF FUNDS</b>	
Paid Up Capital	2467.65
Reserves & Surplus	17368.51
Secured Loans	8830.62
Unsecured Loans	0.00
Deferred Tax Liabilities (net)	2983.91
<b>APPLICATION OF FUNDS</b>	
Net Fixed Assets	19197.18
Investments	263.94
Net Current Assets	8061.31
Capital Work in Progress	4118.60
Misc. Expenditure	9.66
<b>IV. Performance of the Company</b>	
Turnover including Other Income	40754.71
Total Expenditure including Depreciation	36571.28
Profit Before Tax	4183.43
Profit After Tax	2770.16
Earnings Per Share	11.23
Dividend Rate (% p.a.)	12%
<b>V. GENERIC NAMES OF THE FOUR PRINCIPAL PRODUCTS OF THE COMPANY</b>	
Item Code No. (ITC Code)	29122100
Product Description Code	Benzaldehyde (BCHO)
Item Code No. (ITC Code)	29159000
Product Description Code	Benzyl Chloride (BCL)
Item Code No. (ITC Code)	
Product Description Code	Thionyl Chloride (TC)
Item Code No. (ITC Code)	29062100
Product Description Code	Benzyl Alcohol (BOH)

Place : Mumbai  
Dated : 8th June, 2009

For **Gwalior Chemical Industries Ltd.**  
**K. N. Luhariwala**  
**V. P. Biyani** } Executive Directors

**Cash Flow Statement for the year ended on 31st March, 2009**

(Rs. in Lacs)

	<b>Year Ended</b>		<b>Year Ended</b>	
	<b>31.03.09</b>		<b>31.03.08</b>	
<b>A Cash flow from operating activities</b>				
Net profit before tax & exceptional items		4183.43		3734.44
Depreciation	1056.37		861.92	
Interest expenses	956.27		918.71	
Interest received	(31.99)		(36.54)	
Profit on sale of fixed assets	0.00		0.00	
Loss on sale of fixed assets	0.00		25.55	
Impairment of assets	0.00		0.94	
Exceptional items	0.00		0.00	
Unrealized exchange gain	0.00		66.08	
		<u>1980.65</u>		<u>1836.66</u>
Operating profit before working capital		<u>6164.09</u>		<u>5571.10</u>
Changes				
Adjustment for :-				
Decrease / (increase) in trade receivables	1642.07		(2714.41)	
Decrease / (increase) in inventories	1245.19		(1295.27)	
(Decrease) / increase in short-term loan	(2875.26)		3872.14	
Decrease / (increase) in loans and advances	(322.64)		(559.84)	
(Decrease) / increase in provisions	(432.06)		207.31	
(Decrease) / increase in trade payables	615.29	(127.41)	1328.78	838.72
Cash generated from operation		<u>6036.67</u>		<u>6409.82</u>
Before extra- ordinary items				
Gratuity provision	0.00		(66.20)	
Prior period exp.	57.86		0.00	
Cash generated from operation	6036.67		6409.82	
Direct tax paid	(766.75)	5212.06	(772.51)	5571.11
Net cash from operating activities		<u>5212.06</u>		<u>5571.11</u>

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	Year ended 31.03.09	Year ended 31.03.08
<b>B Cash flow from investing activities</b>		
Purchase of fixed assets	(6337.64)	(5568.55)
Sale/ (purchase) of investment	3500.00	(250.00)
Interest received	31.99	36.54
Sale of fixed assets	74.84	92.32
Misc. Expenditures not w/f	3.22	(12.88)
	<u>(2727.60)</u>	<u>(5702.57)</u>
Net cash from investing activities	<u>(2727.60)</u>	<u>(5702.57)</u>
<b>C Cash flow from financing activities</b>		
Increase in share capital	0.00	0.00
Increase in share premium	0.00	(12.99)
Increase in other borrowing (net)	(1422.53)	1231.34
Interest paid	(956.27)	(918.71)
Dividend paid (Including Tax)	0.00	(346.44)
	<u>(2378.80)</u>	<u>(46.80)</u>
Net Cash from Financing Activities	<u>(2378.80)</u>	<u>(46.80)</u>
Net Change in Cash and Cash Equivalents (A+B+C)	105.67	(178.26)
Cash and Cash Equivalents - Opening Balance	<u>274.28</u>	<u>452.54</u>
Cash and Cash Equivalents - Closing Balance	<u>379.95</u>	<u>274.29</u>

As per our report of even date

For **SARDA & PAREEK**  
Chartered Accountants

**Sitaram Pareek**  
Partner  
M. No.: 16617

Place : Mumbai  
Dated : 8th June, 2009

For **Gwalior Chemical Industries Ltd.**

**K. N. Luhariwala**  
**V. P. Biyani**  
**Sanjeev Pathak** } Executive Directors  
Company Secretary

Place : Mumbai  
Dated : 8th June, 2009



**AUDITORS REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

TO THE BOARD OF DIRECTORS OF

GWALIOR CHEMICAL INDUSTRIES LIMITED

1. We have audited the attached Consolidated Balance Sheet of GWALIOR CHEMICAL INDUSTRIES LIMITED ("The Company"), its subsidiaries (as per list appearing in Note No 20 of Schedule 24, (hereinafter collectively referred to as the "Group") as at 31st March 2009, and also the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto, (hereinafter collectively referred to as the "Consolidated Financial Statements"). These Consolidated Financial Statements are the responsibility of the Group's management and have been prepared by the management on the basis of separate financial statements of the entities of the Group. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We have 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 misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs 594.35 Lacs as at March 31, 2009 and total revenue of Rs 2116.03 lacs and cash flows amounting to Rs 10.05 lacs for the year then ended as considered in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in respect thereof is based solely on the report of such other auditors.
4. Attention is invited to note No 21 in schedule 24 of Accounting Policies and Notes on accounts regarding definitive agreement entered by company for sale of its chemical and windmill business.
5. Subject to above we report that the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements.
6. Without qualifying our opinion, we report that the basis and assumptions used by the management in calculating these provisions include significant judgment and estimates, which due to inherent uncertainty of related situation may significantly differ from the actual amounts.



7. Based on our audit and consideration of reports of other auditors on separate financial statements of the Group entities and to the best of our information and according to explanations given to us, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, in case of :
- i. The Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2009 ;
  - ii. The Consolidated Profit & Loss Account, of the profit of the Group for the year ended on that date; and
  - iii. The Consolidated Cash Flow Statement, of the cash flows of the group for the year ended on that date.

For SARDA & PAREEK  
Chartered Accountants

**CA Sitaram Pareek**  
Partner  
Membership No. 16617

Place: Mumbai

Date: 8th June, 2009



# GWALIOR CHEMICAL INDUSTRIES LIMITED - CONSOLIDATED

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule No.	Year ended <b>31.03.09</b> (Rs. in Lacs)	Year ended 31.03.08 (Rs. in Lacs)
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS FUNDS</b>			
A) Share Capital	1	<b>2467.65</b>	2467.65
B) Reserves & Surplus	2	<b>17283.57</b>	14906.78
C) Deferred Tax Liabilities ( Net)	3	<b>2983.91</b>	2594.10
D) Due to inter Unit (GC)		<b>0.00</b>	0.00
<b>LOAN FUNDS</b>			
A) Secured Loans	4	<b>9415.28</b>	13599.06
B) Unsecured Loans	5	<b>0.00</b>	72.03
		<b><u>32150.41</u></b>	<b><u>33639.63</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
A) Gross Block	6	<b>23904.57</b>	19764.59
Less: Depreciation		<b><u>4707.39</u></b>	<u>3798.58</u>
Net Block		<b>19197.18</b>	15966.01
Add : Capital Work in Progress		<b><u>4118.60</u></b>	<u>2342.19</u>
	7	<b>3.22</b>	18308.20
<b>INVESTMENTS</b>			
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
A) Inventories	8	<b>2431.68</b>	3432.17
B) Sundry Debtors	9	<b>7050.91</b>	8655.07
C) Cash & Bank Balances	10	<b>390.26</b>	590.37
D) Loans & Advances	11	<b>2460.32</b>	2130.79
		<b><u>12333.17</u></b>	<u>14808.40</u>
<b>LESS: CURRENT LIAB. AND PROVISIONS</b>			
A) Liabilities	12	<b>3103.35</b>	2497.10
B) Provisions	13	<b>410.37</b>	495.99
		<b><u>3513.72</u></b>	<u>2993.08</u>
Net Current Assets		<b>8819.45</b>	11815.32
Misc. Expenditure (To the extent not written off or adjusted)	14	<b>11.96</b>	12.88
<b>Total</b>		<b><u>32150.41</u></b>	<b><u>33639.62</u></b>
Significant Accounting Policies & Notes to the Financial Statements. The Schedule referred to above from an Intergal Part of the Financial Statement.	24		

AS PER OUR REPORT OF EVEN DATE  
For **SARDA & PAREEK**  
*Chartered Accountants*

**Sitaram Pareek**  
Partner  
M. No.: 16617  
Place : Mumbai  
Dated : 8th June, 2009

For **Gwalior Chemical Industries Ltd.**

**K. N. Luhariwala**  
**V. P. Biyani**  
**Sanjeev Pathak** } Executive Directors  
Company Secretary

Place : Mumbai  
Dated : 8th June, 2009

**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED ON 31ST MARCH, 2009**

	Schedule No.	Year ended 31.03.09 (Rs. in lacs)	Year ended 31.03.08 (Rs. in lacs)
<b>INCOME</b>			
Gross sales & other receipts	15	40453.77	32043.29
Less :- excise duty		(2615.03)	(2564.80)
Other income	16	680.06	72.58
		<u>38518.79</u>	<u>29551.08</u>
<b>EXPENDITURE</b>			
Raw material consumed	17	19979.59	15803.62
(Increase)/decrease in stocks	18	(2.10)	(278.79)
Cost of goods traded		1774.40	(101.53)
Manufacturing expenses	19	5154.77	4149.47
Payments & provisions	20	1078.07	836.39
For employees			
Admn. & Other expenses	21	595.90	485.75
Selling & distribution exp.	22	3808.99	3115.85
Interest	23	960.49	921.54
Depreciation	6	1056.37	861.92
Preliminary exp. W/off		3.78	3.22
Loss of retirement/disposal of assets		8.63	25.55
Impairment of assets		0.00	0.94
		<u>34418.89</u>	<u>25823.93</u>
<b>PROFIT BEFORE TAX(PBT)</b>		<b>4099.90</b>	<b>3727.14</b>
Provision for current tax		751.66	757.59
Provision for deferred tax		389.81	464.02
Fringe Benefit Tax		15.09	15.00
<b>NET PROFIT AFTER TAX BEFORE PRIOR PERIOD &amp; EXCEPTIONAL ITEMS</b>		<b>2943.35</b>	<b>2490.54</b>
Loss on sales of fixed assets		(198.86)	0.00
Prior period items		(57.86)	(66.20)
<b>NET PROFIT AFTER TAX &amp; PRIOR PERIOD AND EXCEPTIONAL ITEMS</b>		<b>2686.63</b>	<b>2424.34</b>
Balance brought forward from previous year		2125.11	1538.91
		<u>4811.73</u>	<u>3963.25</u>
<b>APPROPRIATIONS</b>			
Proposed dividends		296.12	296.12
Tax on dividend		50.33	50.33
General reserve		1500.00	1500.00
Balance carried to balance sheet		2965.29	2116.80
		<u>4811.73</u>	<u>3963.25</u>
Basic and Diluted Earning Per Share		10.89	9.82

As per our report of even date

For **SARDA & PAREEK**  
Chartered Accountants

**Sitaram Pareek**

Partner

M. No.: 16617

Place : Mumbai

Dated : 8th June, 2009

For **Gwalior Chemical Industries Ltd.**

**K. N. Luhariwala**

**V. P. Biyani**

**Sanjeev Pathak**

} Executive Directors

} Company Secretary

Place : Mumbai

Dated : 8th June, 2009



## GWALIOR CHEMICAL INDUSTRIES LIMITED - CONSOLIDATED

### SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31.03.09

	Year Ended 31.03.09 (Rs. In Lacs)	Year Ended 31.03.08 (Rs. In Lacs)
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
50000000 (50000000) Equity Shares of Rs. 10/- Each	<u>5000.00</u>	<u>5000.00</u>
<b>Issued, Subscribed &amp; Paid Up.</b>		
24676543 (24676543 ) Equity Shares of Rs 10/- Each Fully Paid Up.	<u>2467.65</u>	<u>2467.65</u>
	<u>2467.65</u>	<u>2467.65</u>
<b>SCHEDULE 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
1 Capital Reserve	202.24	202.24
2. Share Premium	6474.95	6487.94
Less: Share Issue Expenses	<u>0.00</u>	<u>(12.99)</u>
	<u>6677.19</u>	<u>6677.19</u>
3. Foreign Currency Translation Reserve	(5.57)	(33.82)
4. General Reserve	6146.66	4646.60
Add: Appropriation During The Year	<u>1500.00</u>	<u>1500.00</u>
	<u>7646.66</u>	<u>6146.60</u>
5. Profit & Loss Account	<u>2965.29</u>	<u>2116.80</u>
	<u>17283.57</u>	<u>14906.78</u>
<b>SCHEDULE 3</b>		
<b>DEFERRED TAX BALANCES</b>		
Deferred Tax Liability	3037.13	2617.25
Deferred Tax Assets	<u>(53.22)</u>	<u>(23.15)</u>
	<u>2983.91</u>	<u>2594.10</u>
<b>SCHEDULE 4</b>		
<b>SECURED LOANS</b>		
Cash Credit / Working Capital	(Note - 1 & 2)	
Working capital facilities	3961.39	6794.67
Foreign Currency Loans	<u>0.00</u>	<u>0.00</u>
	<u>3961.39</u>	<u>6794.67</u>
Term Loans	(Note - 3)	
From Banks		
Rupee Loans	4504.00	5169.91
Foreign Currency Loans	<u>129.23</u>	<u>289.87</u>
	<u>4633.23</u>	<u>5459.78</u>
From Financial Institutions	(Note - 3&4)	
Rupee Loans	<u>819.48</u>	<u>1336.02</u>
	<u>819.48</u>	<u>1336.02</u>
Vehicle Loan	(Note - 5)	
	<u>1.18</u>	<u>8.60</u>
	<u>9415.28</u>	<u>13599.06</u>

NOTES :

1. Cash Credit, & export credits from State Bank of India are secured by hypothecation of Stocks and Book Debts pertaining to Company's unit at Nagda and Ankelshwar and further secured by second charge on the fixed assets.
2. Cash Credit, & export credits from Standard Chartered Bank are secured by hypothecation of Stocks and Book Debts pertaining to Company's unit at Nagda and Ankelshwar.
3. Term Loan from Industrial Development Bank of India, State Bank of India (excluding term loan for wind mills), Bank of Baroda and HDFC, are secured by first charge ranking pari-passu on all immovable properties both present and future and first charge by way of hypothecation of all moveable properties including moveable machineries, spares, tools and accessories present and future subject to prior charges created and/or to be created in favour of bankers by way of security for borrowing for working capital. Loan from IDBI and BOB are further secured by personal guarantee of the some of the Directors . [Repayable within one year Rs. 1807.11 Lacs, (Previous Year Rs 992. Lacs)]
4. Term loan from SBI for wind mills is secured by first charge on all immovable properties both present and future and second charge by way of hypothecation of all immoveable properties including moveable machineries, spares, tools and accessories present and future subject to prior charges created and/or to created in favour of bankers by way of security for borrowing for working capital for company's wind power project at village Chakale Dist. Nandurbar, Maharashtra and at Village : Ghatnandare, Dist: Sangali, Maharashtra. (Repayable within one year Rs. 210 Lacs (Previous Year Rs. 221 Lacs)
5. Vehicle loans from ICICI Bank and ICICI Capital are secured by hypothecation of motorcars purchased. [Repayable within one year Rs. 1.18 Lacs, (Previous Year Rs. 5 Lacs)]
6. Cash Credit & Demand Loan from ING Bank are secured by way of standby letter of credit issued by Standard Chartered Bank pertaining to Company's subsidiary at Belgium.

	Year Ended 31.03.09 (Rs. In Lacs)	Year Ended 31.03.08 (Rs. In Lacs)
<b>SCHEDULE 5</b>		
<b>UNSECURED LOANS</b>		
A. From Corporate Bodies	0.00	15.69
B. Deferred Sales Tax Liability (Under Incentive Scheme Of State Govt) (Payable within one year Rs Nil (Previous year 56.34 Lacs)	0.00	56.34
	0.00	72.03

**GWALIOR CHEMICAL INDUSTRIES LIMITED - CONSOLIDATED****STATEMENT OF FIXED ASSETS & DEPRECIATION AS PER COMPANY'S ACT AS ON 31.03.2009****SCHEDULE 6**

(Rs. in Lacs)

Sr. Particulars No.	Gross Block			Depreciation			Net Block			
	As on 1.04.08	Addition	Deduction	Total as on 31.3.2009	Upto 31.03.08	For the Year	Written back on 31.03.2009	As on 31.03.08	As on 31.03.08	
1	409.73	79.44	0.00	489.17	3.32	0.58	0.00	3.90	485.27	406.41
2	1150.40	129.67	0.00	1280.08	188.80	32.79	0.00	221.59	1058.48	961.60
3	17444.59	4185.86	383.18	21247.26	3353.56	954.05	132.13	4175.48	17071.78	14091.03
4	179.60	23.81	0.04	203.38	65.80	11.90	0.00	77.70	125.68	113.80
5	76.97	44.29	0.00	121.26	28.18	15.39	0.00	43.57	77.69	48.79
6	448.29	98.17	38.04	508.42	103.92	41.67	15.44	130.15	378.26	344.37
7	55.00	0.00	0.00	55.00	55.00	0.00	0.00	55.00	0.00	0.00
	19764.59	4561.24	421.26	23904.57	3798.58	1056.37	147.56	4707.39	19197.18	15966.01

	Year Ended 31.03.09 (Rs. In Lacs)	Year Ended 31.03.08 (Rs. In Lacs)
<b>SCHEDULE 7</b>		
<b>INVESTMENTS (AT COST)</b>		
(A) Long Term Investment		
Unquoted (Fully Paid Up) -		
20 Equity Shares of Rs. 50 Each The Thane Janta Sahkari Bank Ltd.	0.01	0.01
32192 Equity Shares of Rs. 10/- Each Bharuch Equa Infrastructure Ltd.	3.22	3.22
(B) Current Investment -		
In units of Mutual Fund (Unquoted) -		
Birla Fixed Term Plan-Series T (3,50,00,000 units of Rs. 10/-)	0.00	3500.00
NAV: Previous year NAV at Rs 3885.98 lacs.		
	<b>3.22</b>	<b>3503.22</b>
<b>SCHEDULE 8</b>		
<b>INVENTORIES :-</b>		
(As taken, valued & certified by the management)		
Stores & Spares	662.37	350.03
Raw Material	480.52	1796.01
Packing Materials	28.92	23.89
Stock In Trade	249.18	0.00
Finished Goods	874.41	775.39
Work-In-Process	136.28	486.84
	<b>2431.68</b>	<b>3432.17</b>
<b>SCHEDULE 9</b>		
<b>SUNDRY DEBTORS</b>		
(Considered good except where provided for)		
Debts Outstanding For A Period Exceeding Six Months		
Unsecured		
Good	199.57	159.19
Doubtful	17.35	51.35
Other Debts		
Unsecured	6851.34	8495.88
Less : Provision For Doubtful Debts	(17.35)	(51.35)
	<b>7050.91</b>	<b>8655.07</b>



## GWALIOR CHEMICAL INDUSTRIES LIMITED - CONSOLIDATED

	Year Ended 31.03.09 (Rs. in Lacs)	Year Ended 31.03.08 (Rs. in Lacs)
<b>SCHEDULE 10</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash on Hand	2.33	3.22
With Scheduled Banks in		
Current Account	50.29	128.11
Fixed Deposit	336.84	458.11
Unclaimed Dividend Account	0.80	0.93
	<u>390.26</u>	<u>590.37</u>
<b>SCHEDULE 11</b>		
<b>LOANS &amp; ADVANCES</b>		
Advance Recoverable in Cash or kind or for value to be received		
Unsecured - Considered Good	2251.23	1937.41
Unsecured - Considered Doubtful	10.51	0.00
Deposits With Govt.Bodies	121.68	133.68
Deposits With Others	75.02	59.70
Advance Income Tax (Net of provision)	1.88	0.00
	<u>2460.32</u>	<u>2130.79</u>
<b>SCHEDULE 12</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors		
- For Capital Goods	411.33	269.65
- For Supplies	1595.80	1695.84
- For Others	1096.22	531.61
	<u>3103.35</u>	<u>2497.10</u>
<b>SCHEDULE 13</b>		
<b>PROVISIONS</b>		
- For Proposed Dividend	296.12	296.12
- For Tax On Dividend	50.33	50.33
- For Wealth Tax	1.50	1.00
- For Leave Encashment	59.03	80.53
- Provision for Income Tax (Net)	1.70	(0.69)
- Provision for FBT	1.70	2.50
- Provision for Gratuity	0.00	66.20
	<u>410.37</u>	<u>495.99</u>



## 25th Annual Report 2008-2009

	Year Ended 31.03.09 (Rs. In Lacs)	Year Ended 31.03.08 (Rs. In Lacs)
<b>SCHEDULE 14</b>		
<b>MISC. EXPENDITURE</b>		
(To The Extent Not Written Off)		
Preliminary Expenses	15.75	16.10
Less written off during the year	3.79	3.22
	<b>11.96</b>	<b>12.88</b>
 <b>SCHEDULE 15</b>		
<b>SALES &amp; OTHER RECEIPTS</b>		
Domestic Sales	22870.95	19250.54
Export Sales	16521.37	11862.31
Export Incentives	799.93	722.72
Income From Power Generation	261.52	207.72
	<b>40453.77</b>	<b>32043.29</b>
 <b>SCHEDULE 16</b>		
<b>OTHER INCOME</b>		
Interest Income (TDS of Rs 7.42 Lacs)	41.12	36.54
Misc Income	47.47	36.46
Income on Sale of Investment	394.91	0.00
Dividend Income	11.29	12.39
Exchange Gain Loss	185.28	(12.82)
	<b>680.06</b>	<b>72.58</b>
 <b>SCHEDULE 17</b>		
<b>RAW MATERIALS CONSUMED</b>		
Opening Stock	1796.01	795.52
Add: Purchase	18664.10	16804.11
	20460.11	17599.63
Less: Closing Stock	480.52	1796.01
Net Consumption	<b>19979.59</b>	<b>15803.62</b>



## GWALIOR CHEMICAL INDUSTRIES LIMITED - CONSOLIDATED

	Year Ended 31.03.09 (Rs. in Lacs)	Year Ended 31.03.08 (Rs. in Lacs)
<b>SCHEDULE 18</b>		
<b>INCREASE (DECREASE) IN STOCKS</b>		
Closing Stock		
- Finished Goods	785.16	432.50
- Process Stock	136.28	486.84
	<u>921.44</u>	<u>919.34</u>
Less: Opening Stock		
Finished Goods	432.50	288.52
Processed Goods	486.84	352.03
	<u>919.34</u>	<u>640.55</u>
Increase (Decrease) In Stocks	<u>2.10</u>	<u>278.79</u>
Goods Traded Consumed		
Opening Stock	398.71	214.44
Add: Purchase	1714.11	26.92
	<u>2112.82</u>	<u>241.36</u>
Less: Closing Stock	338.42	342.89
Cost Of Goods Consumed	<u>1774.40</u>	<u>(101.53)</u>
<b>SCHEDULE 19</b>		
<b>MANUFACTURING EXPENSES</b>		
Wages	227.60	210.42
Utilities	2915.80	2038.34
Stores, Spares & Maintenance	428.66	600.75
Packing Materials Consumed	1411.74	1135.36
Insurance	66.36	79.99
E.T.P. Expenses	78.08	63.25
Processing Charges/Job Charges	2.97	4.76
Other Expenses	23.56	16.61
	<u>5154.77</u>	<u>4149.47</u>
<b>SCHEDULE 20</b>		
<b>PAYMENTS &amp; PROVISIONS FOR EMPLOYEES</b>		
Salaries & Wages	605.25	481.52
Contribution To Provident Fund & Other Funds	126.58	100.73
Other Payment To Employees	175.45	139.97
Directors Remuneration	170.80	114.18
	<u>1078.07</u>	<u>836.39</u>

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	Year Ended 31.03.09 (Rs. in Lacs)	Year Ended 31.03.08 (Rs. in Lacs)
<b>SCHEDULE-21</b>		
<b>ADMN. &amp; OTHER EXPENSES</b>		
Administration Expenses	508.23	435.55
Payments To Statutory Auditors		
- Statutory Audit Fee	2.65	2.50
- Tax Audit Fees	0.60	0.50
- Consultation & Certification (In Other Capacity)	1.92	0.25
- Audit Exp.	0.76	0.61
Directors Sitting Fees	1.55	1.37
Legal And Consultation Charges	80.20	44.96
	<b>595.90</b>	<b>485.75</b>
 <b>SCHEDULE 22</b>		
<b>SELLING &amp; DISTRIBUTION EXPENSES</b>		
Traveling Expenses		
- For Directors	24.86	56.49
- For Others	116.36	109.29
Freight	1162.39	951.05
Discount & Rebate	151.88	166.25
Commission	235.20	171.84
Sales Expenses	0.00	0.00
Export Expenses	1899.80	1416.95
Provision For Doubtful Debts	17.35	51.35
Bad Debts	59.63	8.28
Less - Prov. For Doubtful Debts Provided Earlier Year	-51.35	50.06
Other Selling Expenses	192.87	142.56
	<b>3808.99</b>	<b>3115.85</b>
 <b>SCHEDULE 23</b>		
<b>INTEREST &amp; FINANCIAL CHARGES</b>		
- Interest To Banks & Financial Institutions	943.80	914.31
- Other Financial Charges	16.69	7.23
	<b>960.49</b>	<b>921.54</b>



## SCHEDULE- 24

### ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### A. SIGNIFICANT ACCOUNTING POLICIES:

##### 1. NATURE OF OPERATIONS

Gwalior Chemicals Industries Limited ("Parent Company" or "the Company"), a public limited company together with its subsidiaries (herein after collectively referred to as the "Group") operates as an integrated international chemical organization with the business encompassing production & distribution of Chemicals.

The group presently has manufacturing facilities in India. The Groups major markets include United States of America, India, Japan, Korea & Europe. Europe is the largest market and the major products are Chloro – Toluene products.

The Parent Company's shares are listed for trading on National Stock Exchange (NSE) & Bombay Stock Exchange (BSE) in India.

##### 2. BASIS OF PRESENTATION

The Financial Statements are prepared under the historical cost convention on the basis of going concern and in accordance with the Generally Accepted Accounting Principles in India (GAAP) and provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Group unless otherwise specifically stated.

##### 3. USE OF ESTIMATES

The preparation of Group's financial statements are in conformity with Indian GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and the differences between actual results and estimates are recognized in the periods in which the results are known/ materialize.

##### 4. PRINCIPLE OF CONSOLIDATION

The consolidated Financial Statements include the Financial Statements of the Parent Company and its subsidiaries.

The Consolidated financial statements have been combined on a line – by – line basis by adding the book value of like items of assets, liabilities, income and expenses after eliminating intra – group balances / transactions and unrealized profit in full. The amounts shown in respect of reserves comprise amounts of relevant reserves as per the balance sheet of the Parent Company.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Parent Company for its separate financial statements.

##### 5. FIXED ASSETS

a) Fixed Assets are stated at their original cost of acquisition / installation and included preoperational expenses including borrowing cost. Fixed assets are shown net of accumulated depreciation.

b) Capital Work-in-progress is stated at the amount spent up to the date of the Balance Sheet, however pending completion of the project, assets shown in Assets schedule and no depreciation is provided on the same.

c) Leasehold land is shown at cost, including lease premium paid.

**6. DEPRECIATION**

- a) Depreciation has been charged on Straight Line Method corresponding to the rates prescribed under Schedule XIV to the Companies Act, 1956.
- b) Depreciation on additions/deletions is being provided on pro-rata basis from the date of such additions/deletions.
- c) Intangible assets are amortized over a period of seven years.

**7. INVESTMENTS**

Long-term investments including investment in the shares of foreign subsidiary are stated at cost. Provision for diminution in value of long-term investments if any is made, if such diminution is other than of temporary nature.

Current Investment are carried at lower of cost or market value

**8. INVENTORIES VALUATION**

- a) Raw material, packing material, store & consumables are valued at the lower of cost and net realizable value except waste/scrap, which is valued at net realisable value. The cost is computed on FIFO basis.
- b) Finished Goods and process stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

**9. REVENUE RECOGNITION**

- a) Revenue is recognized when it is earned and no significant uncertainty exists as to its realization or collection.
- b) Sales are recognized when goods are invoiced on dispatch to customers. Sales include Excise duty but exclude Sales Tax.
- c) Export incentive/benefits are accounted on accrual basis. Customs duty benefits in the form of Advance License entitlements on the export of goods are recognized and added to the cost of import.
- d) Interest income is recognized in the profit & loss account as it accrues except in the case of non-performing asset (NPAs) where it is recognized, upon realization, as per the Non Banking Financial Companies (NBFC) prudential norms of RBI.
- e) Dividend income is recognized when the right to receive payment is established.

**10. MISCELLANEOUS EXPENDITURE**

- a) Share issue expenses are charged off from share premium.
- b) Expenses related to increase in authorized Share Capital is amortized over a period of five years.

**11. CASH FLOW STATEMENT**

Cash Flow Statement is prepared under "Indirect Method".



### 12. CHANGE IN ACCOUNTING POLICIES

The company has amortized share issue expenses over a period of five years from Financial year 2006-07 . As permitted by Section 78(2) of Companies Act the share issue expenses of Rs 524.40 Lacs (F.Y. 06-07) & Rs.12.99 Lacs (F.Y. 07-08) have been charged off to Share premium account. Due to this, the profit for the year has been overstated by Rs 108.13 Lacs (Previous Year 108.13 Lacs)

### 13. TRANSACTION OF FOREIGN CURRENCY ITEMS

- a) Transactions of foreign currencies are recorded at the exchange rates prevailing on the date on which transaction took place. Gains and Losses arising out of fluctuation in the exchange rates are accounted for on realization.
- b) Current assets and liabilities denominated in foreign currency as at the balance sheet date are converted at the exchange rate prevailing on balance sheet date. Exchange differences are recognized as income or expense in the profit and loss account.
- c) In respect of transactions covered by forward foreign exchange contract, the difference between the forward rate and exchange rate at the inception of the contract is recognized as income or expense over the life of contract except for contracts relating to liabilities incurred for purchase of fixed assets, the difference thereof is adjusted in the carrying amount of respective fixed assets. The use of forward contracts and swaps is governed by company's overall strategy. The company does not have forward contracts and swaps for speculative purposes.

### 14. EMPLOYEE BENEFITS

The company is using the Unit Credit Method and other assumption as per market, hence no change has been adjusted to the opening balance of reserves and surplus.

- a) The liability for superannuation benefits, on the basis of amount contributed to LIC's Group Gratuity Policy and the difference between the amount payable on retirement and recovered from LIC, is charged to profit & loss account.
- b) Employee's Contribution to Provident Fund, Family Pension Fund is debited to Profit & Loss account.
- c) Leave encashment benefits & gratuity available on retirement are provided on the basis of actuarial valuation.

### 15. BORROWING COST

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as a part of such assets till such time as the assets are ready for their intended use. Qualifying assets are assets that necessarily require a substantial period of time to get ready for their intended use. All the other borrowing cost is recognized as an expense in the period in which they are incurred.

### 16. LEASES

Leasehold land is being amortized over the period of lease.

### 17. TAXES ON INCOME

Current tax is determined as the amount of tax payable in respect of taxable income for the period, using applicable tax rates and Laws.

Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets on timing differences, being the difference between taxable income and accounting income that originates in one period and capable of reversal in one or more subsequent periods.

18. DISCONTINUING OPERATIONS

The Company has not discontinued any operations during the year.

19. IMPAIRMENT OF ASSETS

Impairment of assets has been recognized and losses if any has been charged to profit & Loss account.

As of each balance sheet date, the carrying amount of assets is tested for impairment so as to determine –

- (a) the provision for impairment loss, if any, required, or
- (b) the reversal, if any, required or impairment has recognized in previous periods.

20. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

- a) The provisions are recognised and measured by using a substantial degree of estimation.
- b) Contingent liabilities and contingent assets are disclosed after a careful evaluation of the facts and legal aspects of the matter involved in issue.

B. NOTES FORMING PART OF THE ACCOUNTS:

1) The figures of the previous accounting period are re-grouped, re-classified wherever necessary and are not comparable with the figures of the current accounting year. The figures are rounded to nearest rupees in lacs.

2) (a) Contingent liabilities not provided for (AS - 29)

	<b>As on 31.03.2009 Amount</b>	As on 31.03.2008 Amount
a) Bank Guarantees & LC	<b>1866.34</b>	1156.13
b) Sales Tax Liabilities		
i) Disputed	<b>30.01</b>	45.32
ii) On account of C Forms (2007-08)	<b>20.94</b>	42.21
iii) Current year C Forms	<b>364.67</b>	20.94
iv) Appeal filed by MPUVN in High Court against single Bench H C Order.	<b>122.00</b>	122.00
c) Excise Duty Liabilities (Disputed)	<b>7.11</b>	0.00
d) Entry Tax (Disputed)(Deposited Rs. 0.83 Lacs)	<b>2.46</b>	2.97
e) Export Obligation on A/c of Import of Machinery	<b>817.60</b>	693.33
(f) Unexecuted Contracts (Net of advance)	<b>2447.38</b>	1064.07
(g) Custom duty on import of Raw Material	<b>0.00</b>	57.31
(h) Bond submitted to customs for import of Toluene	<b>1132.57</b>	0
(i) Bond submitted to Central Excise deptt.	<b>447.10</b>	0



## GWALIOR CHEMICAL INDUSTRIES LIMITED - CONSOLIDATED

- 3) The Company has given non-disposal undertaking in favour of the Industrial Development Bank of India (IDBI) for the equity shares held by the promoters of the Company.
- 4) In the opinion of the Board of Directors of the Company the sundry debtors, Loans and Advances, sundry creditors are subject to third party confirmation, have a value on realization / payment in the ordinary course of business, at least equal to the amounts at which they are stated and the provisions for all known liabilities are adequately made and are not in excess of the amount reasonably necessary.
- 5) Sundry debtors include due from wholly owned subsidiary company Rs 201.99 Lacs (Previous year Rs 173.41 Lacs) and maximum debit balance during the period were Rs. 583.37 Lacs (previous year Rs. 799.75 Lacs as on 31.03.08)
- 6) Deposit includes Rs 282.14 Lacs (Previous Year Rs.208.46 Lacs) under Bank's lien for guarantees & Margin Money.
- 7) The disclosures required under accounting standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) rules 2006, are given below:

### Defined Contribution Plan

Contribution to Defined Contribution Plan, recognized are charged off for the year are as under:

	As on 31.03.09	Rs. In Lacs As on 31.03.08
Employer's Contribution To Provident Fund	51.94	38.30
Employer's Contribution To Superannuation Fund	5.64	5.20
Employer's Contribution To Pension Scheme	22.49	19.77
Employer's Contribution To Employee State Insurance	13.85	14.38

### Defined benefit plan

The employee's gratuity fund scheme managed by Life Insurance Corporation of India is a defined plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

a.	Reconciliation of opening and closing balances of defined benefit obligation	Gratuity (Funded)		Leave Encashment	
		31-03-2009	31-03-2008	31-03-2009	31-03-2008
	Defined benefit obligation at beginning of the year	141.85	128.91	86.03	66.97
	Current Service Cost	8.68	9.17	11.36	9.63
	Interest Cost	9.70	-	2.02	5.36
	Actuarial (gain)/loss	6.07	13.93	11.03	1.77
	Benefits paid	3.89	10.16	51.41	3.23
	Defined Benefit obligation at year end	162.41	141.85	59.03	80.50



<b>b.</b>	<b>Reconciliation of opening and closing balances of fair value of plan assets</b>				
	Fair value of plan assets at the beginning of the year	75.65	66.39	Nil	Nil
	Expected return on plan assets	10.13	5.80	Nil	Nil
	Actuarial (gain)/loss	-	-	Nil	Nil
	Employer contribution	81.60	13.62	Nil	Nil
	Benefits paid	3.89	10.16	Nil	Nil
	Fair value of plan assets at year end	163.50	75.65	Nil	Nil
	Actual return on plan assets	NIL	5.80	Nil	Nil
<b>c.</b>	<b>Reconciliation of fair value of assets and obligation</b>				
	Fair value of plan assets as at 31st march, 2009	163.50	75.65	Nil	Nil
	Fair value of obligation as at 31st march, 2009	162.41	141.85	59.03	80.50
	Unfunded net liability recognized in balance sheet	Nil	66.20	59.03	80.50
<b>d.</b>	<b>Expenses recognized during the year</b>				
	Current service cost	8.68	9.17	11.36	9.63
	Interest cost	9.70	-	2.02	5.36
	Expected return on plan assets	10.13	5.80	Nil	Nil
	Actuarial (gain)/loss	26.69	13.93	11.03	1.77
	Net Cost	34.93	17.30	24.41	16.76
<b>e.</b>	<b>Investment details</b>			<b>As at 31st March 2009</b>	<b>As at 31st March 2008</b>
	L.I.C. Group Gratuity (Cash Assumption) Policy	100%	100%	Nil	Nil
<b>f.</b>	<b>Actuarial assumptions</b>				
	Mortality Table (L.I.C.)	31-03-2009	31-03-2008	31-03-2009	31-03-2008
		1994-96 (Ultimate)	1994-96 (Ultimate)		
	Discount rate (per annum)	8.00%	8.00%	7.00%	8.00%
	Expected rate of return of plan assets (per annum)	9.15%	9.15%	Nil	Nil
	Rate of escalation in salary (per annum)	6.00%	5.00%	5.00%	5.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.



## GWALIOR CHEMICAL INDUSTRIES LIMITED - CONSOLIDATED

### 8) SALES

- a) Sales figures are shown excluding Sales Tax and VAT of Rs. 685.65 Lacs  
(Previous year Rs.723.81 Lacs),
- b) Inter Unit transfers of finished Goods have been ignored.
- c) Sales includes trading sale of Rs. 996.67 Lacs (PY Nil)

9) Early payment incentive of Rs.73.86 (P Y 62.38) from Reliance Industries Limited has been reduced from cost of Raw material.

### 10) Managerial Remuneration: (Amt. in Rs. in Lacs)

	<b>As on 31.03.09</b>	As on 31.03.08
- Directors Remuneration		
- Salary	<b>82.50</b>	55.83
- Commission	<b>41.42</b>	36.97
- Contribution to PF	<b>6.89</b>	4.65
- Contribution to Superannuation Fund	<b>1.41</b>	1.25
- Other Perquisites	<b>39.99</b>	16.72
- Director sitting fees	<b>1.55</b>	1.37

### 11) Computation of net profit as per section 309(5) of the Companies Act, 1956

	(Amt. In Rs. in Lacs)
Net Profit Before Tax as per Profit & Loss Account	4183.43
Add:	
Whole-time Directors remuneration excluding commission	129.38
Executive Directors Commission	41.42
Directors Sitting Fees	1.55
Loss on sale of Fixed Assets	207.49
Net Profit as per section 198 of the Companies Act, 1956	4563.27
Maximum permissible managerial remuneration to Whole-time Directors u/s 198 of the Companies Act, 1956 @10% of the Profit computed above	456.33

### 12) Auditors Remuneration:

	(Amt in Rs. in Lacs)	
	<b>As on 31.03.09</b>	As on 31.03.08
- Statutory Audit Fees	<b>2.75</b>	2.50
- Tax Audit Fees	<b>0.50</b>	0.50
- Consultation and certification	<b>1.92</b>	0.95
- Expenses reimbursed	<b>0.76</b>	0.61

- 13) Sales Tax Assessments have been completed up to the Accounting year ended as on 31.03.2004 except for the accounting year 1996-97,1997-98 and 1998-99,which are pending due to matter in High Court for Wind Mill exemption.
- 14) Income Tax Assessments have been completed up to assessment year 2006-2007 pertaining to previous accounting year ended on 31.03.2006 and the Company doesn't foresee any additional Income Tax liability for pending Assessments.
- 15) Excise Duty on inventories of Rs.82.04 Lacs (Previous Year 71.62 Lacs) has not been provided in the accounts and included in the valuations. This accounting treatment has no impact on the profit of the Company.

16. Segmental Information

The Company has identified Chlorotoluene derivatives (chemicals) as its sole primary business segment taking into account the nature of products and services, risks and returns, the organization structure and the internal reporting system. Secondary Segments are not significant hence not reported.

	(Rs. in Lacs)	
	<b>As at 31.03.2009</b>	As at 31.03.2008
17. Earning per share		
Net Profit / (Loss) After Tax available for Equity Share Holders	<b>2770.16</b>	2431.72
Number of Equity Shares of Rs.10/- each		
Outstanding during the year [Number of Shares]	<b>246.77</b>	246.77
Basic / Diluted Earning Per Share face value of Rs 10 (Rs.)	<b>11.23</b>	9.85

18. Deferred Tax Assets/ (Liabilities)

In accordance with Accounting Standard 22 "Accounting for Taxes on Income" issued by the ICAI the Company has accounted for Deferred Taxes during the year. Following are the components of Deferred Tax Assets/(Liabilities):

	(Rs. in Lacs)	
	<b>As at 31.03.2009</b>	As at 31.03.2008
Deferred Tax Liability	<b>3037.13</b>	2617.25
Less: Deferred Tax Asset	<b>53.22</b>	23.15
Net Deferred Tax Liability (Net)	<b>2983.91</b>	2594.10

19. Related Party Transactions

As required by Accounting Standard AS-18 "Related Parties Disclosure" issued by The Institute of Chartered Accountants of India, the following are treated as Related Parties with whom transactions have taken place during the year ended 31st March 2009

(a) Associate Companies

- Elrose Mercantile Pvt Ltd.
- Four Dimension Securities (I) Ltd.
- Aroni Chemical Industries Ltd



## GWALIOR CHEMICAL INDUSTRIES LIMITED - CONSOLIDATED

(b) Relative of Directors or concern where relative of directors has substantially interested

Atul Transport (India)

Krasoma Corporation

Gaurav Shyamsukha

(c) Key Managerial Personnel

Shri Ashwin Kumar Kothari

Shri Harisingh Shyamsukha

Shri K.N. Luhariwala

Shri V.P. Biyani

Shri S K Jain

The following transactions were carried out in the ordinary course of business:

Transacting Related Party	Relationship Between the Parties	Nature of Transaction	Volume of Transaction (Rs in Lacs)	Closing Balance As on 31.03.09 (Rs in Lacs.)
1. M/s. Atul Transport (India)	Concern where relative of directors has substantially interested	Transportation Charges	492.36 (PY 512.12)	25.24 (CR) (PY 25.15 CR)
2.Krasoma Corporation	Concern where relative of directors has substantially interested	Sales commission	3.00 (PY 3.16)	0.02 (DR) (PY 1.15CR)
3. M/s. Aroni Chemical Ind. Ltd.	Associate Company	Service charges	0.02 (PY 1.03)	0.85 CR (0.88 CR)
4.Shri Gaurav Shyamsukha	Relative of Director & Key Managerial Person	Remuneration	22.71 (PY 12.33)	5.84 (PY 0.68)
5. Four Dimension Securities (I) Ltd.	Associate Company	Service Charges	20.70 (PY 8.76)	7.09 (DR) (PY 4.00 CR)
6.Elrose Mercantile Pvt. Ltd.	Associate Company	Service Charges	2.40 (PY 2.40)	1.34 DR (PY 2.30 DR)
7. Shri Ashwin Kumar Kothari	Key Managerial Personnel	Remuneration (including perquisites & commission)	59.52 (PY 39.19)	20.71 (PY 18.48 )
8. Shri Harisingh Shyamsukha	Key Managerial Personnel	Remuneration (including perquisites & commission)	59.52 (PY 39.19)	20.71 (PY 18.48)

## 25th Annual Report 2008-2009

9. Shri K.N. Luhariwala	Key Managerial Personnel	Remuneration (including perquisites)	17.52 (PY 17.48)	NIL (PY NIL )
10. Shri V.P. Biyani	Key Managerial Personnel	Remuneration (including perquisites)	26.39 (PY 14.94)	NIL (PY NIL )
11. Shri S K Jain	Key Managerial Personnel	Remuneration (including perquisites)	-	-

20) Consolidated Financial Statements comprise the financial statements of the Parent Company and its subsidiaries listed below:

Subsidiary	Country of Incorporation	Effective Group Shareholding (%)
Gwalior Chemicals bvba	Belgium	100 %
Gwalior Chemicals LLC	USA	100 %
GCIL Finance Limited	India	100%

21) The Company has entered into a definitive agreement for sale of its chemicals and windmill business to LANXESS India Private Limited on June 8, 2009 for an aggregate value of Rs. 536 crores or rupee equivalent Euro 82.4 million ( 1 Euro=Rs 65) on a cash and debt free basis. The transaction is subject to shareholder's approval and necessary merger control clearances from relevant authorities in various countries.

22) The previous year's figures have been regrouped and reclassified, wherever necessary.

**For Gwalior Chemical Industries Ltd.**

<p><b>K. N. Luhariwala</b>  <b>V. P. Biyani</b>  <b>Sanjeev Pathak</b></p>	}	<p>Executive Directors  Company Secretary</p>
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Place : Mumbai  
Dated : 8th June, 2009



## GWALIOR CHEMICAL INDUSTRIES LIMITED - CONSOLIDATED

### Cash Flow Statement for the year ended 31st March, 2009

(Rs. in Lacs)

Year Ended 31.03.09

#### A CASH FLOW FROM OPERATING ACTIVITIES

NET PROFIT BEFORE TAX & EXEPTIONAL ITEMS		4099.90
DEPRECIATION		1056.37
INTEREST EXPENSES	960.49	
INTEREST RECEIVED	(41.12)	
PROFIT ON SALE OF FIXED ASSETS	0.00	
LOSS ON SALE OF FIXED ASSETS	8.63	
IMPAIRMENT OF ASSETS	0.00	
MISC. EXPENSES	3.78	
UNRELIASZED EXCHANGE GAIN	36.33	
		<u>2024.48</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		<u>6124.39</u>
ADJUSTMENT FOR :-		
DECREASE / (INCREASE) IN TRADE RECEIVABLES		1604.16
DECREASE / (INCREASE) IN INVENTORIES	1000.48	
(DECREASE) / INCREASE IN SHORT-TERM LOAN	(2833.28)	
DECREASE /(INCREASE) IN LOANS AND ADVANCES		(327.65)
(DECREASE) / INCREASE IN PROVISIONS	(87.20)	
(DECREASE) / INCREASE IN TRADE PAYBLES	606.25	(37.25)
CASH GENERATED FROM OPERATION		<u>6087.14</u>
BEFORE EXTRA- ORDINARY ITEMS		
GRATUITY PROVISION	0.00	
SUNDRY BALANCE W/OFF	0.00	
PRIOR PERIOD ITEMS	(57.86)	
CASH GENERATED FROM OPERATION	6087.14	
DIRECT TAX PAID	(766.75)	5262.53
NET CASH FROM OPERATING ACTIVITIES		<u>5262.53</u>

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(Rs. in Lacs)  
Year Ended 31.03.09

### B CASH FLOW FROM INVESTING ACTIVITIES

PURCHASE OF FIXED ASSETS	(6337.64)	
SALE/ (PURCHASE) OF INVESTMENT	3500.00	
INTEREST RECEIVED	41.12	
SALE OF FIXED ASSETS	66.21	
MISE. EXPENDITURES	(2.87)	
		(2733.18)
NET CASH FROM INVESTING ACTIVITIES		(2733.18)

### C CASH FLOW FROM FINANCING ACTIVITIES

INCREASE IN SHARE CAPITAL	0.00	
INCREASE IN SHARE PREMIUM	0.00	
INCREASE IN OTHER BORROWING (NET)	(1422.53)	
INTEREST PAID	(960.49)	
DIVIDEND PAID (INCLUDING TAX)	(346.44)	(2729.46)
NET CASH FROM FINANCING ACTIVITIES		(2729.46)
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		(200.12)
CASH AND CASH EQUIVALENTS - OPENING BALANCE		590.37
CASH AND CASH EQUIVALENTS - CLOSING BALANCE		390.26

AS PER OUR REPORT ANNEXED OF EVEN DATE

For **SARDA & PAREEK**  
Chartered Accountants

**Sitaram Pareek**  
Partner  
M. No.: 16617  
Place : Mumbai  
Dated : 8th June, 2009

For **Gwalior Chemical Industries Ltd.**

**K. N. Luhariwala**  
**V. P. Biyani**  
**Sanjeev Pathak** } Executive Directors  
Company Secretary

Place : Mumbai  
Dated : 8th June, 2009

**GCIL FINANCE LIMITED**

Annual Report (subsidiary Company)

Period ended 31st March 2009

**BOARD OF DIRECTORS:**

K. N. LUHARIWALA  
REKESH KHANNA  
S. K. JAIN  
SANJEEV PATHAK

**REGISTERED OFFICE :**

1&2, Western India House,  
1st Floor,  
Sir P. M. Road, Fort,  
Mumbai – 400 001.  
Phone : 022-66388500

**AUDITORS:**

Sarda & Pareek  
Chartered Accountants



**DIRECTORS' REPORT TO THE MEMBERS OF THE COMPANY  
FOR THE PERIOD ENDED 31ST MARCH 2009**

Dear Shareholders,

Your Directors have great pleasure in presenting their First Annual Report together with the Audited Accounts for the period ended 31st March 2009

**1. Financial Results**

The financial highlights for the period ended 31st March, 2009 are as under:-

Particulars	Current Year	Previous Year
Turnover (including other income)	<b>52358771.00</b>	00.00
Net Profit Before Tax	<b>313809.00</b>	00.00
Less : Provision for Tax	<b>00.00</b>	00.00
Add : Brought Forward profit / loss	<b>00.00</b>	00.00
Balance carried to Balance Sheet	<b>313809.00</b>	00.00

**2. Dividend**

To further enhance the standing of the Company, your directors desire to retain the profits and thereby express their inability to declare any dividend.

**3. Directors**

In accordance with the Articles of Association of the Company, Shri K. N. Luhariwala, Shri. S. K. Jain and Shri Sanjeev Pathak are the first Directors of the Company and Shri. Rakesh Khanna is appointed as an Additional Director of the Company.

Shri. S. K. Jain retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

**4. Particulars of employees**

In accordance with the provision of Section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employees), Rules 1975, as amended, none of the employees is in receipt of remuneration aggregating to Rs. 24,00,000/- or more per annum or Rs. 2,00,000/- per month in case employed for part of the year.

**5. Director's Responsibility Statement**

Pursuant to Section 217(2AA) of Companies Act, 1956, your Directors confirm the following:

- 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 Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 and of the profit of the Company for that.
- iii) 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;

## GCIL FINANCE LIMITED

iv) that the Directors have prepared the attached Statement of Accounts for the year ended 31st March 2009 on a 'going concern' basis.

### 6. Appointment of the Statutory Auditors:

M/s Sarda & Pareek, Chartered Accountants were appointed as the statutory auditors of your Company at the Statutory Meeting of the Company to hold office till the conclusion of the ensuing annual general meeting. The Company has received a certificate from the statutory auditors to the effect that their re-appointment if made, would be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956. Your directors recommend for their re-appointment and to fix their remuneration.

### 7. Subsidiary Company:

Your Company is a wholly owned Subsidiary of Gwalior Chemical Industries Limited and your Company is not having any subsidiary of its own.

### 8. Fixed Deposits

The Company has not accepted or renewed any fixed deposit from the public during the year under review.

### 9. Disclosure

Technology absorption, adaptation and innovation:

The activity of the Company does not involve any Technology and consequently process of absorption and its adaptation does not arise.

Foreign Exchange Earnings and Outgo

Foreign Exchange:

Earning	NIL
Outgo	NIL

### 10. Acknowledgement

Your Directors express their sincere thanks to the Financial Institutions, Reserve Bank of India, other Bankers, regulatory agencies, Central and State Government Authorities and other business associates for their continued cooperation and patronage. The Company is thankful to the shareholders / Gwalior Chemical Industries Limited for reposing trust in the Company and their unflinching enthusiasm and patronage. We are fully appreciative of the contribution made by the employees at all levels for the continued growth and performance by the Company.

On behalf of the Board of Directors

**K. N. Luhariwala**  
Director

**S. K. Jain**  
Director

Date: 08th June, 2009

Place: Mumbai

**AUDITORS REPORT**

To the Members of GCIL FINANCE LIMITED

1. We have audited the attached Balance Sheet of GCIL FINANCE LIMITED ("The Company") as at 31st March 2009, and Profit & Loss Account and also the Cash Flow statement for the period ended on that date annexed thereto, (hereinafter collectively referred as "financial statements"). 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 have 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 misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003 (as Amended) issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (The 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of audit, we set out 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 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 purpose 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 such books;
  - c) The Financial Statements dealt with by this report, are in agreement with the books of account;
  - d) In our opinion, and to the bests of our information and according to the explanation given to us the financial statement dealt with this Report, comply with the applicable accounting standards referred to in Section 211 (3C) of the Act;
  - e) On the basis of written representations received from the directors and taken on records by the Board of Directors, we report that none of the Directors of the Company is disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) to Section 274 of the Act;
  - f) In our opinion, and to the best of our information and according to the explanations given to us, the said Financial Statement read together with the notes thereon, give the information required by the Act, 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 Balance Sheet, of the state of affairs of the Company as at 31st March, 2009 ;
    - ii. in the case of Profit & Loss Account, of the profit of the Company for the year ended on that date; and

**For SARDA & PAREEK**  
Chartered Accountants,

**Sitaram Pareek**  
Partner  
M. No.: 16617

Place: Mumbai  
Date: 8th June, 2009

### ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in Para 3 of our Report of even date on the financial statements for the year ended 31st March 2009 of GCIL FINANCE LIMITED.

Based on the audit procedures performed for the purpose of reporting a true and fair view of the financial statements of the Company and taking into consideration the information and explanations given to us and the books and other records examined by us in the normal course of our audit.

Further, in our opinion and to the best of our knowledge we report that –

- I. The company does not own any Fixed Assets, therefore provisions of Clause 4 (i) are not applicable to the company.
- II. The company does not own any inventories; therefore provisions of Clause 4 (ii) are not applicable to the company.
- III. The Company has not granted/taken any loans, secured or unsecured to /from Companies, firms or other parties covered in the register maintained under section 301 of the Act; and hence clause 4 (iii) are not applicable.
- IV. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, with regard to for the purchase of inventories and with regards to the sale of services. In our opinion and according to the information and explanation given to us, there is no continuing failure to correct major weakness in the internal controls.
- V. Company has not entered any transaction with the parties mentioned in register maintained in pursuance of section 301 of the Act.
- VI. The company has not accepted deposits from Public, to which the directives issued by the Reserve Bank Of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under apply.
- VII. In our opinion, the company has inhouse internal audit system commensurate with the size of the Company and nature of its business.
- VIII. According to the explanations given to us and to the best of our knowledge the Company has not been prescribed by the Central Government under section 209(1) (d) of the Companies Act, 1956 to maintain cost records.
- IX. (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities. There is no arrears of outstanding statutory dues as at the last day of the financial year concerned for a period of more than six months from the date they became payable.  
(b) There are no disputed dues are pending, in case dues of Income tax/Sales tax/Wealth tax/Service tax/Custom duty/Excise duty/cess.
- X. The Company has been registered for a period less than five years and neither it had any accumulated losses nor cash losses during the financial year covered by our audit and immediately preceding financial period.

- XI. In our opinion and according to the information and explanation given to us, there are no dues outstanding from any financial institution. Company has not defaulted in repayment of dues to any financial institutions or banks.
- XII. 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. The Company is not a Chit/Nidhi/Mutual benefit fund/Society and Clause XIII of the Order is not applicable.
- XIV. In respect of the dealing/trading in shares, securities, debentures & other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the company in its own name.
- XV. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- XVI. The company has not raised any term loans therefore this clause is not applicable.
- XVII. On the basis of our examination of the Cash Flow statement and other records, the funds raised on short-term basis have not been used for long-term investment.
- XVIII. During the period under review the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained in pursuance of section 301 of the Companies Act, 1956.
- XIX. The company has not issued any secured debentures during the period under review.
- XX. The Company has not raised any money by public issue during the year. Accordingly the provisions of the Clause IV (xx) of the order are not applicable.
- XXI. No fraud on or by the Company has been noticed or reported during the period covered by our audit.

**For SARDA & PAREEK**  
Chartered Accountants

**CA Sitaram Pareek**  
Partner  
M. No. 16617

Place: Mumbai  
Date: 8th June, 2009

## GCIL FINANCE LIMITED

### BALANCE SHEET AS AT 31ST MARCH , 2009

PARTICULARS	SCH	AMOUNT (RS.)
<b>SOURCES OF FUNDS</b>		
<b>SHARE HOLDERS FUNDS</b>		
A) Share Capital	A	25,000,000
B) Reserves & Surplus	B	313,809
TOTAL		<u>25,313,809</u>
<b>APPLICATION OF FUNDS</b>		
CURRENT ASSETS, LOANS & ADVANCES		
A) Stock in trade	C	24,917,989
B) Loans & Advances		187,988
C) Cash and Bank Balances		25,271
		<u>25,131,248</u>
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>		
A) Current Liabilities	I	47,113
B) Provisions	D	-
	II	<u>47,113</u>
NET CURRENT ASSETS	(I-II)	<u>25,084,135</u>
PRELIMINARY EXPENSES	E	229,674
(To that extent not written off or adjusted)		
TOTAL		<u>25,313,809</u>
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS	I	
The schedule referred to above from an integral part of the financial statement		

AS PER OUR REPORT OF EVEN DATE

FOR SARDA & PAREEK  
Chartered Accountants

CA Sitaram Pareek  
Partner  
Membership no. 16617  
Place : Mumbai  
Date: 08.06.09

GCIL FINANCE LIMITED

K N LUHARIWALA  
DIRECTOR

S K JAIN  
DIRECTOR

Place : Mumbai  
Date : 08.06.09

**PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2009**

PARTICULARS	SCH	AMOUNT (RS.)
<b>INCOME</b>		
Sale of Mutual Fund Units		25,400,000
Dividend & other Income	F	2,040,782
Variation in Stock	G	24,917,989
		<u>52,358,771</u>
<b>EXPENDITURES</b>		
Purchase of Mutual Fund Units		51,913,598
Administrative Expenses	H	72,633
Bank Charges		1,313
Preliminary Eaxpenses written off		57,418
		<u>52,044,962</u>
PROFIT BEFORE TAX (PBT)		313,809
Less: Provision for TAX		-
Current Tax		
Deferred Tax		
Balance carried to Balance Sheet		313,809
Basic and Diluted Earning Per Share (F.V. Per Share Rs.10)		0.13
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS	I	
The schedule referred to above from an integral part of the financial statement		

AS PER OUR REPORT OF EVEN DATE

FOR SARDA & PAREEK  
Chartered Accountants

CA Sitaram Pareek  
Partner  
Membership no. 16617  
Place : Mumbai  
Date: 08.06.09

GCIL FINANCE LIMITED

K N LUHARIWALA  
DIRECTOR

S K JAIN  
DIRECTOR

Place : Mumbai  
Date : 08.06.09

# GCIL FINANCE LIMITED

## SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31.03.09

Amount

### SCHEDULE A

#### SHARE CAPITAL

Authorised

25,00,000 Equity Shares of Rs 10/- each

25,000,000

Issued , Subscribed & Paid up

25,00,000 Equity Shares of Rs 10/- each.

25,000,000

25,00,000 Equity Shares of Rs.10/- each  
fully paid up held by Gwalior Chemical Industries Ltd.

25,000,000

### SCHEDULE B

#### RESERVE & SURPLUS

General Reserve

—

Profit & Loss Account

313,809

313,809

### SCHEDULE C

#### CURRENT ASSETS, LOANS & ADVANCES

##### A) STOCK IN TRADE

In units of Mutual Funds ( Unquoted)

Birla Sunlife Income Plus

24,917,989

Units 22,28,023.266 face value of Rs 10/- per unit

(I)

24,917,989

##### B) LOANS & ADVANCES

Advance Income Tax & TDS

187,988

(II)

187,988

##### C) CASH & BANK BALANCES

Balance with schedule bank

In Current Account

25,271

(III)

25,271

Total

(I+II+III)

25,131,248



Amount

**SCHEDULE D****CURRENT LIABILITIES & PROVISIONS**

## A) CURRENT LIABILITIES

Sundry Creditors

47113

## B) PROVISIONS

—

Total

47,113**SCHEDULE E****PRELIMINARY EXPENSES**

Expenses Incurred during the year

287,092

Written off

57,418229,674

(To the extent not written off)

**SCHEDULE F****INCOME**

Dividend

1,128,219

Interest ( TDS Rs. 1,87,988/-)

912,5632,040,782**SCHEDULE G****VARIATION IN STOCK**

Opening Stock

—

Closing Stock

26,513,598

Less : Loss on Revaluation

(1,595,609)24,917,989**SCHEDULE H****ADMINISTRATIVE CHARGES**

Payment to Auditors

25,000

Miscellaneous Expenses

47,63372,633

# GCIL FINANCE LIMITED

## SCHEDULE – H

### ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### A. SIGNIFICANT ACCOUNTING POLICIES:

##### 1. ACCOUNTING CONVENTION

- a) The Financial Statements are prepared under the historical cost convention on the basis of going concern and in accordance with the Generally Accepted Accounting Principles in India (GAAP) and provisions of the Companies Act, 1956.
- b) The preparation of financial statements are in conformity with generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and the differences between actual results and estimates are recognized in the periods in which the results are known/ materialize.

##### 2. REVENUE RECOGNITION

- a) Interest Income -  
Interest income is recognized in the profit & loss account as it accrues except in the case of non-performing asset (NPAs) where it is recognized, upon realization, as per the Non Banking Financial Companies (NBFC) prudential norms of RBI.
- b) Dividend Income –  
Dividend income is recognized when the right to receive payment is established.

##### 3. MISCELLANEOUS EXPENDITURE

Preliminary expense is amortized over a period of five years.

##### 4. STOCK IN TRADE -

Securities held as stock in trade are valued at lower of the cost or market value.

#### B. NOTES FORMING PART OF THE ACCOUNTS:

- 1) The company has been incorporated on 19th February 2008 as Non Banking Financial Company (NBFC) and Certificate of Registration from Reserve Bank of India – Department of Non Banking Supervision, Mumbai has been obtained on 14th July 2008.  
The business of the company was commenced from 14th July 2008 and it was decided to close the first accounting year on 31st March 2009 which comprised more than 12 months. (i.e. 19th February 2008 to 31st March 2009)
- 2) Being the first accounting period no previous figures are given.
- 3) In the opinion of the Board of Directors of the Company the Loans and Advances, sundry creditors are subject to third party confirmation, have a value on realization / payment in the ordinary course of business, at least equal to the amounts at which they are stated and the provisions for all known liabilities are adequately made and are not in excess of the amount reasonably necessary.
- 4) Auditors Remuneration:

Particulars	Amount (in Rs.)
Statutory Audit Fees	15,000
Tax Audit Fees	10,000
Total	25,000

5) Earning Per Share:

(Rs. in Lacs)

Earning Per Share	As at 31.03.2009
Net Profit / ( Loss) After Tax available for Equity Share Holders	3.14
Number of Equity Share of Rs.10/- each	25.00
Outstanding during the year ( Number of shares)	25.00
Basic / Diluted Earning Per Share ( F.V. of Rs.10)	Rs. 0.13

6) Related Party Transactions

As required by Accounting Standard AS-18 "Related Parties Disclosure" issued by The Institute of Chartered Accountants of India, the following are treated as Related Parties with whom transactions have taken place during the year ended 31st March 2009

(a) Holding Company

Gwalior Chemical Industries Limited.

(b) Fellow Subsidiary Company

Gwalior Chemical BVBA.

(c) Key Managerial Personnel

Shri Sanjeev Kumar Jain

Shri K N Luhariwala

Shri Sanjeev Pathak

7) In view of dividend Income, which is exempt under Income tax Act , Hence no Provision for current Tax and Deferred Tax is made.

8) Quantitative details of Purchase and sale of Securities

Name of Securities	Opening Stock	Purchases /reinvested		Sales		Closing Stock	
		Units	Value	Units	Value	Units	Value
SBI Mutual Fund	0	1521868.217	25491749	1521868.217	25400000	0	0
Birla Sun Life	0	2228023.266	24917989	0	0	2228023.266	24917989
		3749891.483	50409738	1521868.217	25400000	48887870.188	24917989

9) Additional information other than Quantitative details as per Para 3 under Clause (i)(a), (ii) (a), (b), Para 4, Para 4 and Para 4D of Part II of Schedule VI of the Companies Act, 1956 is not applicable

For GCIL Finance Limited

K.N. Luhariwala  
Director

S K Jain  
Director

Place: Mumbai

Dated: 08.06.09

**GWALIOR CHEMICALS bvba**  
Annual Report (subsidiary Company)  
Annual Report : 2008-2009

**BOARD OF DIRECTORS:**

K. N. LUHARIWALA  
ANIL KUMAR RAJAN

**REGISTERED OFFICE :**

Gwalior Chemicals bvba  
5 Avenue H. Hoover,  
B 1332 genva  
Belgium

**AUDITORS:**

Ruidant & Associats  
Avenue Winston Churchill,  
11Ba bte 3  
B - 1180 Bruxelles  
Belgium

### REPORT OF DIRECTORS CONCERNING THE ANNUAL ACCOUNTS AT 31.03.2009

Dear shareholders, we have the honour to present you the report of directors concerning the annual accounts at 31.03.2009.

The legal references given below are the Belgian Law, the Belgian accounting Law and the Belgian Companies Code called in French "Code des Societes".

#### I. Business evolution

##### A. Result and situation

##### 1. Balance Sheet

###### ASSETS:

During the second social exercise of the company we continue our business as Gwalior Chemical Industries Limited's subsidiary company.

The total of the balance sheet raises to 1.140.689, 08 €.

The stock is evaluated at 641.824,94 €.

Our clients' receivables raise to 353.564,32 €.

The amount of VAT to recover on importation goods raises to 17.572,61 €. This amount will be recovered during the second quarter 2009.

###### LIABILITIES:

As we have chosen the legal personality of a private company with limited responsibility, our subscribed capital raises to 18.600,00 € . Our capital is fully liberated. Concerning the result of the year, please see our explanations below.

We have received a bank loan of 750.000,00 € and our current account payable raises to 131.975,87 € .

The invoices to be received raise to 72.501,62 €.

We have credit notes to issue for 4.163,03 €.

Our suppliers' payables raise to 162.372,80 €.

##### 2. Profit and loss account

Our turnover raises to 3.159.179,64 €. We mostly trade with European companies. In order to find new markets, we are working with a commissioner Belgian Company.

We have discount onsales for 9.084,00 €.

Our goods for resale raise to 3.054.653.45 €. The stock variation raises to + 30.206,29 € according to our parent house.

The costs of our sub-contracting raises to 175.719,62 €.

The commissions paid to third parties for sales raise to 27.432,92 €.

We have a total of costs of services and other goods of 21.304,37 €.

We have financial costs of 51.499,96 €. This amount comes from payment differentials, interests (48.140,77 € ) and bank expenses on international transfers (3.345,74 € ).

The loss for the year raises to 10.274,80 € .

## **GWALIOR CHEMICALS bvba**

### **3. Appropriation of the result**

The final result of the year is a loss of 10.274,80 € .

We propose to the shareholders the following appropriation result:

- Profit (of previous year) carried forward : 4.413,15 €
- Loss for the year : 10,274,80 €
- Loss to be carried forward : 5,861,65 €

After this appropriation the capital and reserves will be 14.598,35 € and the total of the balance sheet will be 1.140.689,08 € .

### **B. Major risks and unknown events**

We consider that there is no major risks and unknown events to be mentioned, seen the activity of the company.

### **C. Keys figures and financial ratios**

We consider that we don't have to inform the shareholders concerning other key figures or financial ratios.

## **II Important events that happened after the 31.03.09 (art.96,2 o Code des Societes)**

There is no important events that happened after the 31.03.09 and that will have an impact on the financial situation or the result of the company.

## **III Important events that happened during 2008-2009 (art.96,3 o Code des Societes)**

There is no important events that happened during the social exercise 2008-2009.

## **IV. Research and development (art.96.4 o Code des Societes)**

Our company didn't made research and development activities.

## **V. Branch Office**

Our company didn't establish any branch office.

## **VI. Information to be given according to the Belgian Company Code (art.96,7oCode des Societes)**

1. According the Belgian Law and the company's statutes, we ask the shareholders to pass off our responsibilities for our mandate as directors.
2. Conflicts: There were no decisions or actions taken mentioned in the article 259, Belgian Companies Code.
3. Buying own shares: The company didn't bought its own shares.

## **VII. Financial assets (art.96,8o Code des Societes)**

We confirm that the company didn't use financial assets that could be evaluated differently and that could have an important impact on the company's evaluation of its assets, liabilities, financial situation and results.

The 8<sup>th</sup> of June 2009

Anilkumar Rajan, Director.  
Luhariwala Keshrinandan Bansidhar

**AUDITOR'S REPORT OF GWALIOR CHEMICAL BVBA**

Brussels, the 8<sup>th</sup> of June 2009

Our ref.: GWAL

The undersigned Jean-Marie RUIDANT certifies that his associates and him self have duly kept and controlled the accounts of GWALIOR CHEMICALS BVBA Belgium.

The herewith-submitted Balance Sheet and Profit and Loss Statement have been established in compliance with existing legal provisions on the basis of the documents provided by the incumbents in charge of the Company.

Total of the balance sheet on March 31, 2009 amounts to 1.140.689,08 EUR and a loss of 10.274,80 EUR is booked in fiscal year 2008-2009. Given the prevailing legal rules and provisions, the accounts provide a faithful representation of the Company's patrimony and its financial situation and results.

**Jean-Marie RUIDANT**

*Chartered Accountant  
Fiscal Advisor*

## **GWALIOR CHEMICALS bvba**

### **BALANCE SHEET AS AT 31ST MARCH 2009**

	Sch No.	As At 31 st March 2009 Amt. (Euro)	As At 31 st March 2008 Amt. (Euro)
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS FUNDS</b>			
A) SHARE CAPITAL	1	<b>18600</b>	18600
B) RESERVES & SURPLUS	2	<b>(4002)</b>	6273
C) SECURED LOAN	3	<b>881976</b>	860167
TOTAL :		<u><b>896574</b></u>	<u>885041</u>
<b>APPLICATION OF FUNDS</b>			
CURRENT ASSETS, LOANS & ADVANCES			
A) INVENTORIES	4	<b>641825</b>	611619
B) SUNDRY DEBTORS	5	<b>451617</b>	369141
C) CASH & BANK BALANCES	6	<b>15161</b>	104760
D) LOANS & ADVANCES	7	<b>32087</b>	25780
		<u><b>1140689</b></u>	<u>1111300</u>
LESS: CURRENT LIAB. AND PROVISIONS			
A) LIABILITIES	8	<b>243975</b>	226119
B) PROVISIONS	9	<b>140</b>	140
		<u><b>244115</b></u>	<u>226259</u>
NET CURRENT ASSETS		<b>896574</b>	885041
TOTAL :		<u><b>896574</b></u>	<u>885041</u>

GWALIOR CHEMICALS bvba

K.N.LUHARIWALA DIRECTOR

ANIL KUMAR RAJAN DIRECTOR



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2009**

	Sch No.	As At 31 st March 2009 Amt. (Euro)	As At 31 st March 2008 Amt. (Euro)
<b>INCOME</b>			
SALES & OTHER RECEIPTS	10	<b>3159180</b>	3015353
		<u><b>3159180</b></u>	<u>3015353</u>
<b>EXPENDITURES</b>			
COST OF GOODS TRADED	11	<b>2883483</b>	2851981
ADMN. & OTHER EXPENSES	11	<b>18560</b>	11254
SELLING & DISTRIBUTION EXP.	12	<b>267412</b>	150729
		<u><b>3169455</b></u>	<u>3013964</u>
<b>PROFIT BEFORE DEPRECIATION &amp; TAX (PBDIT)</b>		<b>(10275)</b>	1389
DEPRECIATION		<b>0</b>	0
<b>PROFIT BEFORE TAX (PBT)</b>		<b>(10275)</b>	1389
PROVISION FOR CURRENT TAX		<b>0</b>	141
<b>NET PROFIT AFTER TAX</b>		<b>(10275)</b>	1248
BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR		<b>4413</b>	3165
		<u><b>(5862)</b></u>	<u>4413</u>
<b>APPROPRIATIONS</b>			
GENERAL RESERVE		<b>0</b>	0
BALANCE CARRIED TO BALANCE SHEET		<b>(5862)</b>	4413
<b>TOTAL</b>		<u><b>(5862)</b></u>	<u>4413</u>

GWALIOR CHEMICALS bvba

K.N.LUHARIWALA DIRECTOR

ANIL KUMAR RAJAN DIRECTOR

## GWALIOR CHEMICALS bvba

### SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31.03.09

	As At 31 st March 2009 Amt. (Euro)	As At 31 st March 2008 Amt. (Euro)
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
100 EQUITY	<u>18600</u>	<u>18600</u>
SHARE OF EURO 186/- EACH ISSUED, SUBSCRIBED & PAID UP.		
100 EQUITY SHARE	<u>18600</u>	<u>18600</u>
OF EURO 186/- EACH FULLY PAID UP.	<u>18600</u>	<u>18600</u>
<b>SCHEDULE 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
GENERAL RESERVE	<u>1860</u>	<u>1860</u>
	<u>1860</u>	<u>1860</u>
PROFIT & LOSS ACCOUNT	<u>(5862)</u>	<u>4413</u>
	<u>(4002)</u>	<u>6273</u>
<b>SCHEDULE 3</b>		
<b>SECURED LOAN</b>		
ING BANK, ANTWERPEN	<u>131976</u>	<u>110167</u>
ING BANK, ANTWERPEN	<u>750000</u>	<u>750000</u>
	<u>881976</u>	<u>860167</u>
<b>SCHEDULE 4</b>		
<b>INVENTORIES :-</b>		
FINISHED GOODS INCLUDING STOCK IN TRANST	<u>641825</u>	<u>611619</u>
TOTAL	<u>641825</u>	<u>611619</u>
<b>SCHEDULE 5</b>		
<b>SUNDRY DEBTORS</b>		
CONSIDERED GOOD	<u>451617</u>	<u>369141</u>
	<u>451617</u>	<u>369141</u>

## 25th Annual Report 2008-2009

	As At 31 st March 2009 Amt. (Euro)	As At 31 st March 2008 Amt. (Euro)
<b>SCHEDULE 6</b>		
<b>CASH &amp; BANK BALANCES</b>		
WITH SCHEDULED BANKS		
IN CURRENT ACCOUNT	<b>15161</b>	104760
	<u><b>15161</b></u>	<u>104760</u>
 <b>SCHEDULE 7</b>		
<b>LOANS &amp; ADVANCES</b>		
ADVANCE RECOVERABLE IN CASH OR KIND OR FOR VALUE TO BE RECEIVED (Unsecured, considered good)		
PREPAID EXPENSES	<b>7353</b>	0
DEPOSITS WITH GOVT.BODIES	<b>24734</b>	25780
	<u><b>32087</b></u>	<u>25780</u>
 <b>SCHEDULE 8</b>		
<b>CURRENT LIABILITIES</b>		
SUNDRY CREDITORS		
- FOR SUPPLIES	<b>239037</b>	224281
OTHERS	<b>4938</b>	1838
	<u><b>243975</b></u>	<u>226119</u>
 <b>SCHEDULE 9</b>		
<b>PROVISIONS</b>		
- PROVISION FOR INCOME TAX (Net)	140	140
	<u>140</u>	<u>140</u>

## GWALIOR CHEMICALS bvba

### SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31.03.09

	As At 31 st March 2009 Amt. (Euro)	As At 31 st March 2008 Amt. (Euro)
<b>SCHEDULE 10</b>		
<b>SALES &amp; OTHER RECEIPTS</b>		
SALES	3159180	3015176
OTHER RECEIPTS	0	178
	<u>3159180</u>	<u>3015353</u>
<b>SCHEDULE 11</b>		
<b>GOODS TRADED CONSUMED</b>		
OPENING STOCK	611619	372032
ADD: PURCHASE	2913689	3091568
	<u>3525308</u>	<u>3463600</u>
LESS: CLOSING STOCK	641825	611619
COST OF GOODS CONSUMED	<u>2883483</u>	<u>2851981</u>
<b>SCHEDULE 12</b>		
<b>ADMN. &amp; OTHER EXPENSES</b>		
OFFICE MAINTAINANCE	10334	6649
ACCOUNTING CHARGES	7072	4054
LEGAL PUBLICATION	222	110
LEGAL AND PROFESSIONAL CHARGES	0	348
PAYMENT DEFFERENCIAL	1	93
FEES TO BELGIAN COMPANIES	931	0
	<u>18560</u>	<u>11254</u>
<b>SCHEDULE 13</b>		
<b>SELLING &amp; DISTRIBUTION EXPENSES</b>		
SUBCONTRACTING EXPENSES	175720	141362
SALE COMMISSION	36517	4407
TRADE FAIR & EXHIBITION	3677	0
BANK CHARGES	3358	4088
INTEREST	48141	872
	<u>267412</u>	<u>150729</u>

GWALIOR CHEMICALS bvba

K.N.LUHARIWALA                      DIRECTOR

ANIL KUMAR RAJAN                      DIRECTOR

**ACCOUNTANTS EXPLANATIONS ON GWALIOR CHEMICALS BVBA'S ANNUAL ACCOUNTS AT 31.03.2009**

We have the honour to present to the shareholders the Chartered Accountant's explanations on Gwalior Chemicals BVBA's annual accounts at 31.03.2009.

We have established the annual accounts according to the Belgian Law, the Belgian accounting Law and the Belgian Companies Code, called in French "Code des Sociétés.

**I. BALANCE SHEET**

**1. ASSETS:**

The total of the balance sheet raised to 1.140.689,08 €.

The evaluation of stocks is made according to Gwalior Chemicals BVBA's parent house.

We checked the clients' receivables by asking confirmation of Gwalior Chemicals BVBA's parent house.

Concerning the amount of VAT to recover of 17.572,61 €, it represents the VAT on importation goods paid by the company. This amount should be reimbursed by the VAT Authorities during the second quarter 2009.

Now the VAT reimbursement process is usual and occur every quarter.

**2. LIABILITIES:**

The subscribed capital raises to 18.600,00 €. This capital is related to the legal personality of the company, a private company with limited responsibility. The capital is fully liberated.

The final loss for the year raises to 10.274,80 €. The Board of Directors proposes to the General Assembly to carry forward this loss.

We checked the suppliers' payables by asking confirmation of Gwalior Chemicals BVBA's parent house.

The invoices to be received were provisioned according to Gwalior Chemicals BVBA's parent house accounting.

**II. PROFIT AND LOSS ACCOUNT**

The turnover of 3.159.179,64 € was compared with the turnover on VAT returns and the difference comes from the credit notes to issue in 2009.

We have checked the goods for resale by asking confirmation of Gwalior Chemicals BAVA's parent house accounting.

The evaluation of stocks is made according to Gwalior Chemicals BVBA's parent house.

We estimate that there is no need for comments on services and other goods; it is the office general costs.

The financial costs are mostly due to the bank charges and interests on bank loan..

**III. Appropriation of the result**

The final loss for the year raises to 10.274,80 €. The Board of Directors proposes to the General Assembly to carry forward this loss.

**IV. Other Comments**

We estimate that there is no other comments on the annual accounts that should be done for the understanding of the accounts.

Jean-Marie RUIDANT  
Chartered Accountant  
Fiscal Advisor

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## GWALIOR CHEMICAL INDUSTRIES LIMITED

**Registered Office :** 1&2, Western India House, 1<sup>st</sup> Floor, Sir P. M. Road, Fort, Mumbai – 400 001.

### FORM OF PROXY

Folio No. \_\_\_\_\_

I/We \_\_\_\_\_ in the district of \_\_\_\_\_ being a Member/Members of GWALIOR CHEMICAL INDUSTRIES LIMITED hereby appoint \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ as my/our proxy to attend and vote for me/us on my/our behalf at the annual general meeting of the Company to be held on Thursday the 17<sup>th</sup> September, 2009 at 4.00 P.M. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

For Office Use	
Proxy No.	
Date of receipt	
No. of Shares	

Revenue Stamp of Rs. 1/-
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Note : The instrument appointing proxy should be deposited with the Company at least 48 hrs. before the commencement of the Meeting.

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## GWALIOR CHEMICAL INDUSTRIES LIMITED

**Registered Office :** 1&2, Western India House, 1<sup>st</sup> Floor, Sir P. M. Road, Fort, Mumbai – 400 001.

### ATTENDANCE SLIP

Name of the attending Member \_\_\_\_\_

Folio No. \_\_\_\_\_ No. of Shares \_\_\_\_\_

Name of Proxy \_\_\_\_\_

(If proxy attends instead of member)

I hereby register my presence at the 25<sup>th</sup> Annual General Meeting of the Company at The M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, K. Dubash Marg, Fort, Mumbai – 400 001 at 4.00 P.M. on Thursday, 17<sup>th</sup> September, 2009.

.....  
Signature of Member/Proxy

#### **NOTES:**

1. Member/Proxyholder wishing to attend the meeting must bring the Attendance Slip to the meeting.
2. Member/Proxyholder desiring to attend the meeting should bring his/her copy of the Annual Report for reference at the meeting.





If undelivered, please return to :

**Gwalior Chemical Industries Limited**

209/210, 2nd Floor, Arcadia Building, 195, Nariman Point, Mumbai – 400 021.

Phone : 022 - 6638 8500, Fax : 022 - 6638 8620

E-Mail : [gwalior@vsnl.com](mailto:gwalior@vsnl.com), Web: [gwaliorchemicals.com](http://gwaliorchemicals.com)

